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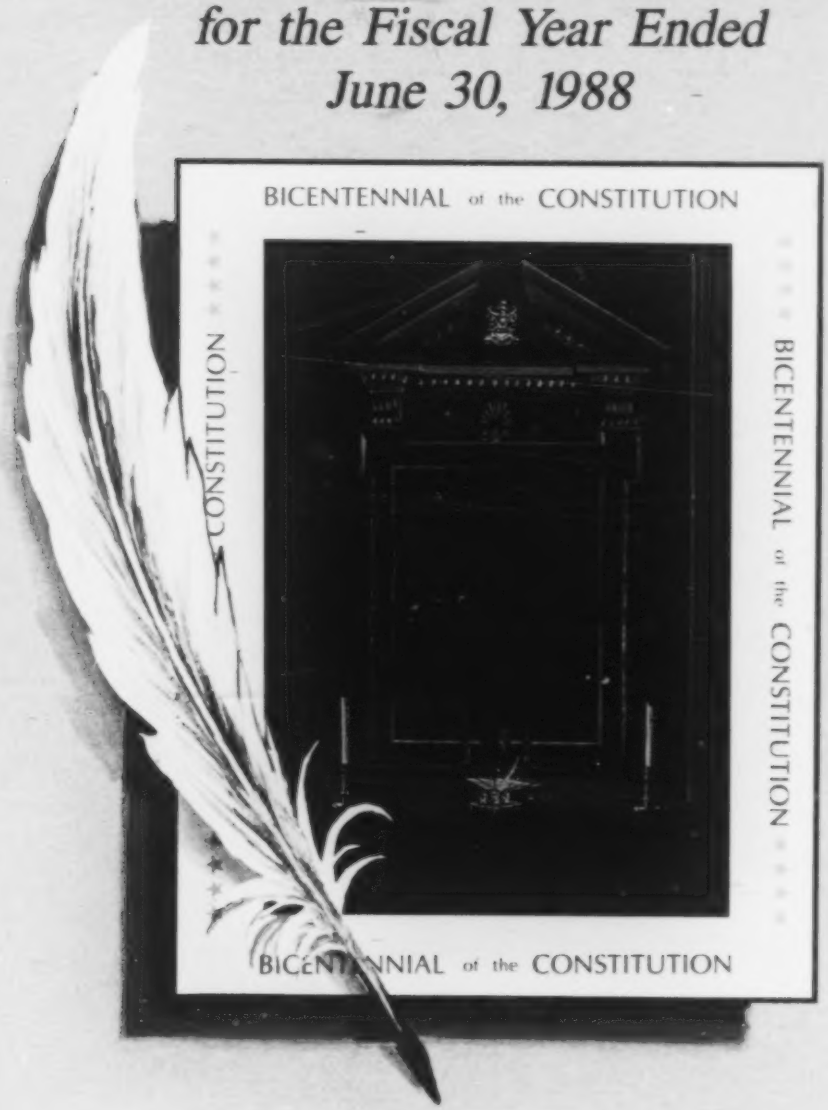
Comprehensive Annual Financial Report

for the Fiscal Year Ended June 30, 1988


BICENTENNIAL of the CONSTITUTION
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Commonwealth of Pennsylvania

Robert P. Casey
Governor

The cover depicts the rising sun chair used by George Washington when he presided at this nation's constitutional convention two centuries ago at Independence Hall in Philadelphia.

. . . . "Two centuries ago, in 1787, a troubled people who were the children of destiny gathered in Pennsylvania.

In the turbulent wake of a revolution only just ended, their infant nation would surely perish unless they could form a new political and social partnership unlike the world had ever seen.

Torn by faction, paralyzed by petty partisanship, unsure of their course, and uncertain of their possibilities, they convened in Pennsylvania to invent the future.

Through the months of summer and into the fall, they struggled to write a Constitution unlike any before in the history of humankind.

And during the long and sometimes bitter debate, a former governor of Pennsylvania, Dr. Benjamin Franklin, took to musing about a wooden carving on the back of the chair of the convention's presiding officer.

The carving was a representation of the sun, and in it Franklin saw a metaphor for the infant nation; but he wondered, had the artist meant to carve it as a sun that was rising or setting?

Finally, on September 17, 1787, the Constitution was born, and Dr. Franklin told his fellow delegates: 'Now at length I have the happiness to know that it is a rising and not a setting sun.' . . . .

. . . . "I believe that once again, it is within our power to determine whether Pennsylvania's sun is to set or to rise. I believe the future is ours; all we have to do is seize it.

"That is why I have come here today: to take command, not of the status quo, which is shadowed by the dusk, but of our future, illuminated in the brilliance of the dawn.

That is why I call for a new Pennsylvania Partnership:

—A Pennsylvania Partnership which must be as bold and stunning as that which two centuries ago fashioned in Philadelphia the Constitution which I have just sworn to uphold.

—A Pennsylvania Partnership which brings into the same house the men and women of labor and business, of government and education, of cities and suburbs, of factories and farms.

—A Pennsylvania Partnership which knows that if the sun does not rise for all of us, it will surely set on most of us." . . . .

From the inaugural speech of
Governor Robert P. Casey,
January 20, 1987

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 1988

Commonwealth of Pennsylvania
Robert P. Casey, Governor

Prepared By: Office of the Budget
Michael H. Hershock, Secretary
Comptroller Operations
Harvey C. Eckert, Deputy Secretary

Commonwealth of Pennsylvania
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 1988

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COMMONWEALTH OF PENNSYLVANIA
GOVERNOR'S OFFICE
HARRISBURG

MICHAEL H. HERSHOCK
SECRETARY
OFFICE OF THE BUDGET

December 16, 1988

To the Governor, the Honorable Members of the General Assembly and the Citizens of the Commonwealth of Pennsylvania:

This Comprehensive Annual Financial Report (CAFR) of the Commonwealth of Pennsylvania represents this administration's commitment to sound fiscal management and to responsible financial reporting based on nationally recognized standards. This CAFR, which includes the Commonwealth's independently audited General Purpose Financial Statements for the fiscal year ended June 30, 1988, will provide you and the financial community with all the information required to fully assess the Commonwealth's financial position, results of operations, and the management of its financial resources.

We began the 1987-88 fiscal year with a renewed commitment to restructuring the Commonwealth's economic development programs, committing significant monetary increases to programs in education and the environment, and re-evaluating the funding mechanisms for human services. Our goal was to correct inefficiencies in taxing and spending while maintaining the commitment for no tax increase.

Our programs for investment in economic development were reorganized and strengthened in 1987-88 through the creation of the Pennsylvania Economic Development Partnership. We began a major change in the way state government assists the job creation process by creating partnerships between businesses, working men and women, government officials, and educators to create more jobs. We appropriated $37 million from the Sunny Day Fund to assist private industries in expanding and to attract new business to Pennsylvania; we transferred $59 million in General Fund monies to the Pennsylvania Economic Revitalization Fund (PERF) to continue the many PERF programs originally scheduled to expire on June 30, 1987; and we provided $45 million for the Housing and Redevelopment program which provides grants to improve blighted neighborhoods through redevelopment, and to improve low and moderate income housing through rehabilitation. Within the PERF-funded programs, we initiated an important new effort — a $10 million Industrial Resource Centers program to recruit and create research facilities both for direct jobs and as a target for direct investment by private companies wishing to benefit from association with such a facility.

In addition, we set aside an unprecedented $140 million to help local governments to adjust to changes in their revenues which will be brought about by local tax reform.

The Commonwealth's investment in business was also reflected in tax reductions enacted. The capital stock and franchise tax rate was reduced from 10 mills to 9 mills retroactive to January 1, 1987; a four year phase-in of a quarterly payment schedule for the capital stock and franchise taxes was instituted; the capital stock and franchise tax exemption was increased from $50,000 to $100,000 effective January 1, 1988; the personal income tax poverty exemption was increased from $3,000 to $4,500 effective January 1, 1987; and the utilities gross receipts tax rate was reduced from 45 mills to 44 mills effective January 1, 1988.

We attacked the problem of abandoned hazardous waste sites by providing a 0.5 mill surcharge which was added to the capital stock and franchise tax rate effective January 1, 1988 through January 1, 1992. The revenues from the additional 0.5 mill surcharge rate are included in the General Fund revenues and are subsequently transferred to the Hazardous Sites Cleanup Fund before the end of each fiscal year. These revenues are in addition to the $15.7 million appropriated from the General Fund for hazardous waste control. We also strengthened other environmental protection programs by enhancing emergency response teams and improving monitoring of water supply systems and sewage treatment facilities. In addition, the Pennsylvania Infrastructure Investment Authority was created by Act 16 of 1988 to administer the PENNVEST program. Under the PENNVEST program, monies are used for grants, loans and loan guarantees to municipalities, municipal authorities, and private firms to improve water and sewage systems. Funds come from general tax revenues, bonds approved by referendum, interest earnings and other approved debt financing.

We made significant investments in programs to support the economically needy through general assistance, aid to families with dependent children, and medical assistance. Total expenditures for these programs by the Commonwealth and the Federal Government amounted to $3.2 billion in 1987-88. Approximately 47.9 percent of the total costs of assistance to the economically needy is supported by the General Fund. The balance is provided from the Lottery Fund, from reimbursements by the Federal Government, and through various program collection activities conducted by the Commonwealth. We focused attention on maintaining the integrity of the Lottery Fund by initiating a yearly $20 million transfer of selected program costs back to the General Fund to prevent a deficit fund balance in the Lottery Fund. We also increased income maintenance cash assistance payments to the economically needy and began developing a new reimbursement methodology for long-term care facilities providing nursing home care for medical assistance recipients.

Education is the cornerstone of Pennsylvania's future. We made our first commitment toward the future by providing total funding of $2.4 billion to our public schools through the Equalized Subsidy for Basic Education. The total funding for basic education was $3.9 billion dollars, including funding for special education, pupil transportation, teacher retirement and social security, and special programs to address the needs of economically and educationally at-risk students. In addition, we provided over $1 billion for higher educational institutions and students. Of this, $126 million was provided directly to students through the Pennsylvania Higher Education Assistance Agency, with the remainder being distributed to Pennsylvania's many higher educational institutions.

The Commonwealth assists local mass transit systems through grants and payments for free rides by senior citizens during non-peak hours. In addition, transit operators receive payments for providing senior citizen transportation service on a shared-ride basis, generally in areas where fixed route service is not available. Payments to local mass transit systems for these programs have grown rapidly. In fiscal 1988, $326 million, a 12 percent increase, in Commonwealth funds were expended from the General and the Lottery Funds for such purposes, compared to $290.4 million in fiscal 1987.

Overall, the financial position reflected in these General Purpose Financial Statements demonstrates the solid fiscal integrity of the Commonwealth. It is our endeavor to maintain our strong financial position through continued emphasis on economic development, education and productivity growth in the Pennsylvania economy.

Sincerely,

Michael H. Hershock

Michael H. Hershock
Secretary
Office of the Budget

COMMONWEALTH OF PENNSYLVANIA
GOVERNOR'S OFFICE
HARRISBURG

December 16, 1988

HARVEY C. ECKERT
DEPUTY SECRETARY FOR COMPTROLLER OPERATIONS
OFFICE OF THE BUDGET

Dear Secretary Hershock:

It is my privilege to present the Comprehensive Annual Financial Report (CAFR) on the operations of the Commonwealth of Pennsylvania as of and for the fiscal year ended June 30, 1988. This report, which includes the General Purpose Financial Statements (GPFS), was prepared by the Office of the Budget, Comptroller Operations, pursuant to the power vested in the Governor under Section 701 of the Administrative Code and delegated to the Secretary of the Budget by Executive Order No. 1984-3, October 11, 1984.

The financial statements contained in the CAFR were prepared in conformity with generally accepted accounting principles (GAAP) as prescribed in pronouncements by the Governmental Accounting Standards Board (GASB). They were jointly audited by the elected Auditor General of the Commonwealth of Pennsylvania and Peat Marwick Main & Co., a nationally recognized public accounting firm. Their Independent Auditors' Report, expressing an unqualified opinion on the GPFS, is included in this report.

I believe the financial statements are fairly stated in all material respects; that they are presented in a manner designed to fairly set forth the Commonwealth's financial position, results of operations, and changes in the fund balances as measured by the financial activity of its various fund types; and that all disclosures necessary to enable the Governor, Members of the General Assembly, the public, and the financial community to gain a full understanding of the Commonwealth's operations and financial affairs have been included. Responsibility for the completeness and fairness of the presentation, including all disclosures, rests with the Commonwealth of Pennsylvania, Office of the Budget.

In addition to the GPFS, which provide an overview of the Commonwealth's financial position and operating results by fund type, this CAFR includes: combining financial statements presenting information by fund; supporting schedules; certain narrative information describing individual funds; and statistical tables presenting financial, economic, social and demographic data about the Commonwealth. The CAFR was prepared in accordance with standards established by the Government Finance Officers Association of the United States and Canada (GFOA) and will be submitted to the GFOA to determine its eligibility for a Certificate of Achievement for Excellence in Financial Reporting.

THE FINANCIAL REPORTING ENTITY

The GPFS of the Commonwealth, in conformance with the GASB Codification, Section (Cod.Sec.) 2100 includes all funds, account groups, agencies, boards and commissions, and governmental public service corporations over which the Commonwealth's executive and legislative branches exercise oversight responsibility. Criteria used to determine oversight responsibility include budget adoption and approval, taxing authority, funding of outstanding debt, authority to appoint an organization's governing body, constitutional officers' ability to significantly influence operations, accountability for fiscal operations and scope of public service. Inclusion of an organization in the Commonwealth GPFS in no way alters the defined prerogatives of the organization's management, its statutory authority, or its legal characteristics.

Based on Cod.Sec. 2100, the following Commonwealth public service organizations meet the oversight criteria and are included in the accompanying financial statements.

General State Authority (GSA): The GSA was created for the purpose of acquiring, constructing, equipping and maintaining public buildings for the use of the Commonwealth, State institutions of every kind and character, additions and improvements to land grant colleges, State universities and medical schools, airports, river and port facilities and flood control projects. Debt service on bonds issued by the GSA is paid from lease payments made to the GSA by the Commonwealth. No GSA debt obligations have been issued since 1968 and none are anticipated.

Pennsylvania Higher Educational Facilities Authority (PHEFA): The PHEFA was created for the purpose of financing, constructing, improving and maintaining any educational facility, and assisting colleges in financing on a short-term basis their working capital requirements. PHEFA revenue bonds and notes payable are financed through lease rental payments. Some of the lessees, although private institutions, are recipients of Commonwealth grants and subsidies.

Pennsylvania Higher Education Assistance Agency (PHEAA): The PHEAA was created to improve the higher educational opportunities of persons who are residents of the Commonwealth and attending institutions of higher education by enabling the agency, lenders and post-secondary institutions to make loans and grants to students or their parents for educational purposes. Debt service on bonds issued by the PHEAA is met from loan repayments and interest and other revenues of the agency.

Pennsylvania Housing Finance Agency (PHFA): The PHFA was created to make loans secured by real property or a leasehold estate, including mortgages, to finance projects designed and planned to be available for low and moderate income persons and families. Bonds issued by the PHFA are partially secured by a capital reserve fund required to be maintained at an amount equal to the maximum annual debt service on its outstanding bonds in any succeeding calendar year. Statute provides that if there is a deficiency in the capital reserve fund or if funds are necessary to avoid default on interest, principal or sinking fund payments on PHFA notes or bonds, an amount sufficient to make up such deficiency shall be placed in the budget of the Commonwealth for the next succeeding year.

Pennsylvania Industrial Development Authority (PIDA): The PIDA was created for the purpose of making secured loans to industrial development agencies for payment of a part of the cost of industrial development projects in critical economic areas. Loan interest and repayments of loan principal and other revenues are used to pay debt service on revenue bonds issued by the PIDA and to make additional loans.

Pennsylvania Turnpike Commission (PTC): The PTC was created for the purpose of constructing, maintaining and operating a turnpike system together with connecting roads, tunnels and bridges. Debt service on turnpike revenue bonds is payable from revenues, primarily tolls and rentals from leases and concessions, of the turnpike system.

State Employes' Retirement System (SERS), Public School Employes' Retirement System (PSERS): The SERS and PSERS were established as independent administrative boards of the Commonwealth. Each system is directed by a governing board which exercises control and management of the systems, including the investment of assets. The retirement plans of the SERS and the PSERS are contributory defined benefit plans covering all state employes, employes of certain state-related organizations, and all public school employes. Proposed changes in benefit and contribution provisions require legislative action and must be supported by an actuarially computed estimate of the cost of such changes.

State Highway and Bridge Authority (SHBA): The SHBA was created to construct, reconstruct, improve and maintain highway and bridge projects and roadside rests. All rental charges of SHBA are transferred from the Motor License Fund, a Special Revenue Fund, and are used to meet its debt service requirements. No SHBA debt obligations have been issued since 1968 and none are anticipated.

State Public School Building Authority (SPSBA): The SPSBA was created for the purpose of constructing, furnishing and equipping, and maintaining public school buildings, as part of the public school system of the Commonwealth. Debt service on revenue bonds issued by the SPSBA is met from lease rental payments made by the local school districts, all of which receive substantial financial aid from the Commonwealth.

State System of Higher Education (SSHE): In accordance with Cod.Sec.,2100, Commonwealth-owned universities are reported in a ''discrete presentation'' under a separate fund category in the Commonwealth's GPFS. The SSHE, composed of fourteen universities, was created by Act No. 1982-188 to function independently of the Department of Education for the purpose of providing instruction for undergraduate and graduate students. The corporate powers of the SSHE are exercised by a Board of Governors through the SSHE Chancellor.

Commonwealth-related universities named below are not included in the GPFS as the degree of oversight responsibility exercised by the Commonwealth is so insignificant that it has not been deemed appropriate to reflect them in the reporting entity.

Pennsylvania State University
Temple University
University of Pittsburgh
Lincoln University

It has been determined that the following organization is not a part of the Commonwealth reporting entity after applying criteria of Cod.Sec. 2100 and is excluded from the GPFS because the Commonwealth does not control its assets, operations or management.

Pennsylvania Municipal Retirement System (PMRS): The PMRS was established as an independent board of the Commonwealth for the purpose of administering a retirement plan for officers, employes, firemen and policemen of the Commonwealth's political subdivisions and municipal authorities, and of institutions supported and maintained by the political subdivisions and municipal government associations. Control and management of the PMRS, including investment of assets, is exercised by a governing board.

BUDGETARY CONTROLS AND ACCOUNTING SYSTEMS

The annual budget of the Commonwealth is comprised of separate appropriations to individual agencies for their specific programs, purposes, special outlays and/or operating expenditures. Budgetary control is exercised at the agency level by appropriation and by allocations to major categories of expenditure within each appropriation. Major expenditure categories include personnel services, operational expenses, fixed assets, subsidies and grants, debt service and fixed charges. An encumbrance system is used to effect budgetary control at the appropriation and allocation levels.

Encumbrances represent the estimated amount of expenditures that are expected to be incurred when purchase orders issued are filled and contracts and other commitments entered into are performed. They serve to reserve that part of an appropriation until the actual liabilities are incurred and to ensure that funds committed (encumbered) and those expended, do not exceed, in total, the amounts appropriated and/or allocated. Section 621 of the Administrative Code provides that unencumbered appropriated funds shall automatically lapse as of the fiscal year end and thus be available for appropriation in the new fiscal year. Encumbered appropriations are carried forward into the new fiscal year. They are reflected in the Commonwealth's governmental funds as reservations of fund balance as distinguished from unreserved fund balance. Funds reserved for appropriations carried forward may be expended until October 31 of the new fiscal year at which time any remaining balances must be lapsed, except amounts for encumbered items being litigated or arbitrated or otherwise extended for some other reason with approval of the Secretary of the Budget. In no event, however, can an encumbrance carried forward from one fiscal year be extended beyond June 30 of the next fiscal year except for a litigated item.

Accounting records of most departments under the Governor's jurisdiction are maintained on a centralized accounting system. The operations of this system are directed and supervised by the Office of the Budget, Comptroller Operations. Separate accounting systems are maintained by the Department of Transportation for the Motor License Fund; the Liquor Control Board for the State Stores Fund; and the Department of Labor and Industry, Office of Employment Security, for the payment of unemployment compensation benefits. The Treasury Department, the Department of the Auditor General, and the Legislative and Judicial branches, likewise, operate separate accounting systems.

The accounts of the Commonwealth's governmental fund types are maintained on a budgetary basis by fund, agency and appropriation. Revenues are recorded at the time cash is received. Expenditures are recorded at the time payment requisitions and invoices are submitted to the Treasury Department for payment. At the fiscal year end, both revenues and expenditures are adjusted to reflect appropriate accruals for financial reporting in conformity with GAAP.

Within the accounting systems, internal controls effectively provide reasonable assurance that financial transactions are executed in accordance with prior authorizations, that assets are protected from unauthorized use or disposition, and that the financial records are reliable for the purposes of preparing financial statements and maintaining accountability. All department records are reconciled monthly with the Treasury Department's records of cash disbursements and the Department of Revenue's records of cash receipts.

THE GENERAL PURPOSE FINANCIAL STATEMENTS (GPFS)

Although the Commonwealth plans and manages its financial affairs on a budgetary basis, it has prepared GPFS in conformity with GAAP applicable to governments. These financial statements differ from those prepared on a budgetary basis in that generic funds are combined by fund types and the financial data is presented on the basis of accounting principles applicable to each fund type. Accordingly, governmental, expendable trust, and agency funds are reported on the modified accrual basis of accounting; proprietary and pension trust funds are reported on the accrual basis of accounting. The College and University Funds are reported on the accrual basis of accounting in accordance with the National Association of College and University Business Officers' *College and University Business Administration* and the American Institute of Certified Public Accountants' *Audits of Colleges and Universities* for institutions of higher education.

In measuring financial position and operating results on the modified accrual basis of accounting, as compared to the budgetary basis, revenues are generally recognized when they become measurable and available to finance current obligations, as opposed to when cash is received. Expenditures are generally reported when goods and services are received and a liability incurred, rather than when cash is disbursed. Due to these differences, the Commonwealth's GPFS as of a fiscal year end include amounts which actually will not be received or disbursed until a future date. Such amounts are necessarily based on management's best assessment and evaluation of available financial data at the time the financial statements are prepared. They include revenues due the Commonwealth, net of credits and refunds, and accounts payable and accrued expenditures for which a liability had been incurred as of the fiscal year end. In management's opinion, the amounts of receivables and payables reflected in the financial statements, included in this report, are fairly stated in relation to the financial activities of the Commonwealth's reporting entity.

THE GENERAL FUND

The General Fund, the Commonwealth's largest fund, is the focal point in any determination of Pennsylvania's financial position. It accounts for all revenues and receipts which are not required by law to be accounted or deposited elsewhere and for the major portion of Commonwealth expenditures. Tax receipts, principally personal and corporate income and sales and use taxes, constitute more than 73 percent of the General Fund's revenues. Major fund expenditures are for general government, protection of persons and property, public health and welfare, public education, economic development and debt service on all obligations except those incurred for highway or other special revenue fund purposes. A comparison of how the Commonwealth has operated within its adopted General Fund budget, as amended, is presented in the "Combined Statement of Revenues, Expenditures and Changes in Unreserved/Undesignated Fund Balances — Budget and Actual (Budgetary Basis)," included in the GPFS.

During the last five fiscal years, the Commonwealth reported General Fund surplus unreserved/undesignated fund balances on the budgetary basis of accounting. A deficit was last reported at the end of the 1982-83 fiscal year. The surplus amounts are the result of controlled expenditure growth, improved productivity and continued economic growth that has produced revenue surpluses despite general tax rate reductions in previous fiscal years.

Budgetary Basis: At June 30, 1988 the General Fund's unreserved/undesignated fund balance (budgetary basis) amounted to $94.7 million. This compares to a budgetary fund balance of $347.8 million at June 30, 1987. The budgetary basis fund balance at June 30, 1988 was principally the result of revenue collections being $37.6 million higher than the Official Revenue Estimate and appropriation lapses of $104.5 million offset by supplemental appropriations totalling $61.4 million.

The following table shows the General Fund's actual year end unreserved/undesignated fund balance and increases or decreases (expressed in millions) on a budgetary basis at the end of the five most recent fiscal years:

At June 30	Unreserved/ Undesignated Fund Balance	Increase (Decrease)
1984	$ 76.4	$ 311.1
1985	310.5	234.1
1986	219.8	(90.7)
1987	347.8	128.0
1988	94.7	(253.1)

Modified Accrual Basis: At June 30, 1988 the Commonwealth's General Fund reflects a fund balance of $572.8 million, a decrease of $246.6 million from the $819.4 million for June 30, 1987. Total assets decreased by $163.8 million to $1,849.6 million. Liabilities increased by $82.8 million to $1,276.8 million. These changes and others (expressed in millions) are reflected in the General Fund summary comparative balance sheet that follows.

General Fund
Summary Comparative Balance Sheets (GAAP Basis)
(Dollar Amounts in Millions)

	June 30, 1988	June 30, 1987	Increase (Decrease)
Assets			
Cash and temporary investments	$ 787.7	$ 938.0	$ (150.3)
Receivables, net	550.6	561.2	(10.6)
Due from other funds/governments	509.7	506.5	3.2
Other assets	1.6	7.7	(6.1)
Total Assets	$ 1,849.6	$ 2,013.4	$ (163.8)
Liabilities			
Accounts payable and other accrued liabilities	$ 869.9	$ 858.9	$ 11.0
Matured bonds and interest payable	22.2	37.4	(15.2)
Due to other funds/governments	374.3	286.9	87.4
Deferred revenue	10.4	10.8	(.4)
Total Liabilities	$ 1,276.8	$ 1,194.0	$ 82.8
Fund Balance			
Reserved	$ 186.0	$ 191.4	$ (5.4)
Unreserved:			
Designated	386.8	280.6	106.2
Undesignated	. . . .	347.4	(347.4)
Total Fund Balance	$ 572.8	$ 819.4	$ (246.6)
Total Liabilities and Fund Balance	$ 1,849.6	$ 2,013.4	$ (163.8)

GENERAL GOVERNMENTAL FUNCTIONS — MODIFIED ACCRUAL BASIS

The Commonwealth's governmental fund types include the General Fund, the Motor License Fund and other Special Revenue Funds, the Debt Service Funds and the Capital Projects Funds. These funds account for most general operating revenues and expenditures. Their combined fund balances at June 30, 1988 decreased by $390 million to $2,009 million from $2,399 million (as restated) at the beginning of the fiscal year. Unreserved/undesignated fund balances at June 30, 1988 amount to $381 million as compared to $769 million a year ago. Comparative summaries of general governmental revenues by source and expenditures by function (expressed in millions) follow.

General Governmental Revenues by Source. Revenues of the Commonwealth's General, Special Revenue, Debt Service and Capital Projects Funds totalled $17,706 million. This represents a 3.1 percent increase over the previous fiscal year. Taxes, penalties and interest constituted 61.5 percent of general governmental revenues; intergovernmental revenues, primarily Federal funds, constituted 21.9 percent.

Revenue Source	Fiscal Years Ended June 30, 1988	Fiscal Years Ended June 30, 1987	Increase (Decrease)
Taxes, penalties and interest	$ 10,888	$ 10,652	$ 236
Licenses and fees	589	565	24
Intergovernmental	3,874	3,751	123
Charges for goods and services	536	486	50
Investment income	194	195	(1)
Lottery receipts	1,472	1,342	130
Other	153	185	(32)
Total Revenues	$ 17,706	$ 17,176	$ 530

As more fully described in Note C, Restatements and Reclassifications, in the Notes to Financial Statements, lottery receipts of $628 million previously reported at June 30, 1987 have been increased to $1,342 million in the above summary to reflect $714 million for retailer commissions and retailer-paid prizes previously netted for the determination of revenue for the State Lottery Fund, a Special Revenue Fund. For June 30,1988 all retailer commissions and retailer-paid prizes have been included in lottery receipts revenue for the State Lottery Fund.

Taxes, penalties and interest increased by $236 million over the previous fiscal year due mainly to the improvement in the state and national economies.

General Governmental Expenditures by Function. Expenditures of the Commonwealth's General, Special Revenue, Debt Service and Capital Projects Funds totalled $18,247 million, reflecting an increase of $857 million over the previous fiscal year. Of the total amount expended, public health and welfare accounted for 36.7 percent, public education for 26.1 percent not including the SSHE, and transportation, 11.9 percent.

Expenditure Function	Fiscal Years Ended June 30, 1988	Fiscal Years Ended June 30, 1987	Increase (Decrease)
General government	$ 1,741	$ 1,517	$ 224
Protection of persons and property	1,022	949	73
Public health and welfare	6,705	6,361	344
Public education	4,761	4,488	273
Conservation of natural resources	335	306	29
Economic development and assistance	346	277	69
Transportation	2,172	2,144	28
Capital outlay	274	283	(9)
Debt service:			
Principal retirement	482	659	(177)
Interest and fiscal charges	409	406	3
Total Expenditures	$ 18,247	$ 17,390	$ 857

Expenditures for public health and welfare increased by $344 million or 5.4 percent over the previous fiscal year. Increases in financial support to the economically needy, aid to families with dependent children, and medical assistance comprise the largest portion of the public health and welfare expenditure increase.

Expenditures for public education increased by $273 million or 6.1 percent over the previous fiscal year. Areas of increase include aid to local school districts for basic instruction, vocational instruction, debt service, pupil transportation, employe retirement including social security, and special education programs.

As more fully described in Note C, Restatements and Reclassifications, in the Notes to Financial Statements, general government expenditures of $803 million previously reported for the fiscal year ended June 30, 1987 have been increased to $1,517 million in the above summary to reflect $714 million for retailer commissions and retailer-paid prizes previously netted for the determination of expenditures for the State Lottery Fund, a Special Revenue Fund. For June 30, 1988 all retailer commissions and retailer-paid prizes for the State Lottery Fund have been included in general government expenditures.

As more fully described in Note C, Restatements and Reclassifications, in the Notes to Financial Statements, certain types of governmental expenditures which had been classified as capital outlay for the fiscal year ended June 30, 1987 have been reported in other expenditure categories for the fiscal year ended June 30, 1988. Expenditures for public education have been increased $92 million, expenditures for economic development and assistance have been increased $71 million and expenditures for transportation have been increased $30 million, with a corresponding decrease in expenditures of $193 million in capital outlay, to reflect this reclassification.

The $177 million reduction in principal retirement was primarily due to a decrease in the amount of bonds retired by the Pennsylvania Higher Education Facilities Authority, a Debt Service Fund, during the fiscal year ended June 30, 1988.

DEBT ADMINISTRATION

The Constitution of the Commonwealth of Pennsylvania permits the incurrence of debt, without approval of the electorate, for capital projects specifically authorized in a capital budget. Capital project debt outstanding cannot exceed one and three quarters (1.75) times the average of the annual tax revenues deposited in all funds during the previous five fiscal years. The certified constitutional debt limit at August 31, 1988 was $21.2 billion. Outstanding net capital project debt at August 31, 1988 amounted to $4.0 billion.

In addition to constitutionally authorized capital project debt, the Commonwealth may incur debt for electorate approved programs, such as economic revitalization, land and water development, and water facilities restoration; and for special purposes approved by the General Assembly, such as disaster relief.

The total general obligation bond indebtedness outstanding at June 30, 1988 was $4,699 million. Total debt service expenditures paid from General Fund and Motor License Fund appropriations during the fiscal year ended June 30, 1988 amounted to $603.4 million.

During the fiscal year ending June 30, 1989 the Office of the Budget projects general obligation bond issuances amounting to $503 million, an increase of $36 million as compared to actual issuance of $467 million, during the fiscal year ended June 30, 1988. This forecast reflects the need to make investments in the Commonwealth's capital infrastructure, particularly interstate highways construction under the Federal Advance Construction Interstate Program, highway bridges, mass transportation and water supply systems. Debt principal retirements of $385 million are forecast during fiscal 1989. The table that follows shows total outstanding long-term indebtedness for general obligation bonds (expressed in millions) at the end of the seven most recent fiscal years.

At June 30	Outstanding Bond Indebtedness [a]
1982	$4,450
1983	4,487
1984	4,484
1985	4,535
1986	4,529
1987	4,559
1988	4,699

(a) That portion of Commonwealth payments applicable to principal made to the authorities for debt service prior to repayment of debt is deducted.

In December 1985, June 1986, and April 1987, the Commonwealth issued general obligation refunding bonds totalling $224.1 million. The proceeds are being used to retire general obligation debt incurred in 1980, 1981, 1982 and 1984 at higher interest rates. This will result in estimated savings of $11.6 million over the life of the refunding bonds, or $9.1 million when discounted to present value.

In addition to general obligation bonds, the Commonwealth issues tax anticipation notes to meet operating cash needs during certain months of the fiscal year. Tax anticipation notes may be issued only for the General Fund and the Motor License Fund. They may not exceed in the aggregate 20 percent of the funds' estimated revenues for the year, and must mature during the fiscal year in which they are issued. Cash shortages occur during the fiscal year because tax receipts, unlike cash disbursements, are concentrated in the fourth quarter of the fiscal year.

During the fiscal year ending June 30, 1989, General Fund revenues and budgeted expenditures, adjusted for estimated lapses and encumbrances, are expected to increase by 5.3 percent and 3 percent, respectively. As the result of tax changes and expenditure patterns that are likely to affect the cash receipts flow, the Commonwealth anticipates issuance of $750 million in General Fund tax anticipation notes during the current fiscal year. General Fund tax anticipation note or commercial paper issuances (expressed in millions) during the five most recent fiscal years are shown below. Motor License Fund tax anticipation notes were not issued and are not expected to be issued for the periods shown.

Fiscal Year Issue Ended June 30	For the Account of the General Fund	Amount Issued as a percent of Actual Revenues General Fund
1985	$700	8%
1986	500	5
1987	490	5
1988	700	7
1989	750 Estimated	7[a]

[a] As a percent of estimated revenues.

CASH MANAGEMENT

The Treasury Department is required by the Commonwealth's Fiscal Code to deposit monies of the Commonwealth, excluding certain component units, in state depositories approved by the Board of Finance and Revenue. Monies deposited are not required to be segregated by fund.

In addition, the Treasury Department is empowered to invest such monies of the Commonwealth that have accumulated beyond the ordinary needs of the various Commonwealth Funds. Temporary cash surplus investments held by the Treasury Department by type, maturity ranges and percent at June 30, 1988 are depicted below.

Investment Type	Maturity Range (days)	Percent
Commercial Paper (Moody's Prime One Rating or Equivalent)	1-89	44.3%
United States Treasury and Agency Obligations	1-427	35.7
Repurchase Agreements	1-91	15.5
Certificates of Deposit	8-536	2.5
Bankers' Acceptances (Moody's Aa Rating or Equivalent)	14-78	1.5
Medium-Term Corporate Notes	258-365	0.5
		100.0%

Temporary investments held by the Treasury Department amounted to $5,289.7 million as of June 30, 1988. Temporary investments were made by specific funds. Interest on investments made by the Treasury Department during the fiscal year amounted to $245.9 million at an average yield of 6.802 percent.

CAPITAL PROJECTS FUNDS

Proceeds of general obligation bond issues are primarily accounted for in the capital projects funds. Completed projects and construction in progress at the fiscal year end are accounted for as assets and are capitalized in the General Fixed Assets Account Group. Projects completed during the fiscal year totalled $97.8 million; construction in progress at June 30, 1988 amounted to $124.6 million. Authorized but unissued general obligation bonds at June 30, 1988 totalled $4,756 million.

ENTERPRISE, FIDUCIARY AND COLLEGE AND UNIVERSITY FUNDS

All enterprise funds reported retained earnings for the fiscal year ended June 30, 1988. The overall increase in retained earnings for enterprise funds amounted to $204 million.

Fiduciary type funds, including expendable trust funds and pension trust funds, reported fund balances of $21,420 million at June 30, 1988, as compared to $18,682 million at June 30, 1987.

The total fund balances for the College and University Funds at June 30, 1988 were $334 million, as compared to $292 million at June 30, 1987.

GENERAL FIXED ASSETS

General fixed assets of the Commonwealth are those used in the performance of general governmental functions. Except for real property of the SSHE, they do not include the fixed assets of the proprietary and the fiduciary fund types and the College and University Funds. General fixed assets as of June 30, 1988 amounted to $2,768 million at actual or estimated historical cost. Depreciation is not recognized for the Commonwealth's general fixed assets. Infrastructure assets, consisting primarily of highways, roads and bridges, are not recorded in the General Fixed Assets Account Group. Both of these practices are in conformity with GAAP.

INDEPENDENT AUDIT

The audit of the GPFS, evidenced by the Independent Auditors' Report submitted herewith, was performed jointly by the Department of the Auditor General and the independent public accounting firm of Peat Marwick Main & Co. It was performed pursuant to the authority vested in the Auditor General and the Governor under Section 402 of the Fiscal Code of 1929 and in the Governor under Section 701 of the Administrative Code of 1929.

The Fiscal Code provides that the Department of the Auditor General shall make all audits of transactions after their occurrence, which may be necessary, in connection with the administration of the financial affairs of the government of the Commonwealth of Pennsylvania and that it shall be the duty of the Governor to cause such audits to be made of the affairs of the Department of the Auditor General.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Commonwealth of Pennsylvania for its Comprehensive Annual Financial Report as of and for the fiscal years ended June 30, 1987 and 1986.

To merit a certificate of achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report which conforms to GFOA standards and satisfy both generally accepted accounting principles and applicable legal requirements. A certificate of achievement is valid for a period of one year only.

We believe the Comprehensive Annual Financial Report of the Commonwealth of Pennsylvania as of and for the fiscal year ended June 30, 1988 conforms to the GFOA standards and we are submitting it to the GFOA to determine its eligibility for a Certificate of Achievement for Excellence in Financial Reporting.

OUTLOOK

Forecasts of national economic indicators published by Wharton Econometric Forecasting Associates, Inc. indicate moderate to sluggish economic growth is anticipated to characterize the U.S. economy during 1989. The persistent U.S. trade deficit and the structural deficit in the federal government's budget represent risks to continued economic growth. These problems represent destabilizing elements and may lead the economy into a period of rapid inflation or recession. The two deficits are not expected to precipitate an immediate economic crisis but will continue to exert pressure on the economy and represent a long-term threat to continued prosperity.

Based on the above economic outlook and current revenue and expenditure forecasts, the Commonwealth is projecting a $146.7 million General Fund budgetary balance (unappropriated surplus) at the end of the 1988-89 fiscal year.

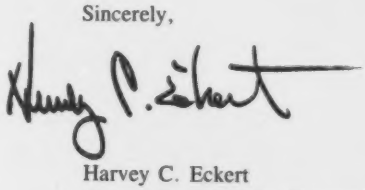
Current revenue estimates are for collections to exceed the original budget estimate of $11,095.5 million by $85 million. This revised estimate takes into consideration the current $79.3 million surplus of revenues through November 1988. In addition, $115 million of funds are anticipated to lapse at the fiscal year ending June 30, 1989.

Appropriations for the 1988-89 fiscal year currently are $11,141.7 million. Potential additional 1988-89 appropriations for cost of current programs are estimated to be $55.4 million, an amount that may be revised during the development of the 1989-90 fiscal year budget.

ACKNOWLEDGEMENTS

In conclusion, I wish to express my appreciation to the staff of the various Commonwealth agencies whose time and dedicated effort made this report possible and, at the same time, to reaffirm my commitment to you to maintain the highest standards of accountability in our financial reportings to the citizens of the Commonwealth.

Sincerely,



Harvey C. Eckert
Deputy Secretary for Comptroller Operations
Office of the Budget

Certificate of Achievement for Excellence in Financial Reporting

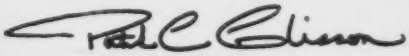
Presented to

Commonwealth of Pennsylvania

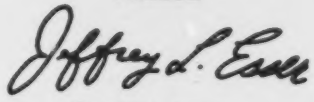
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 1987

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

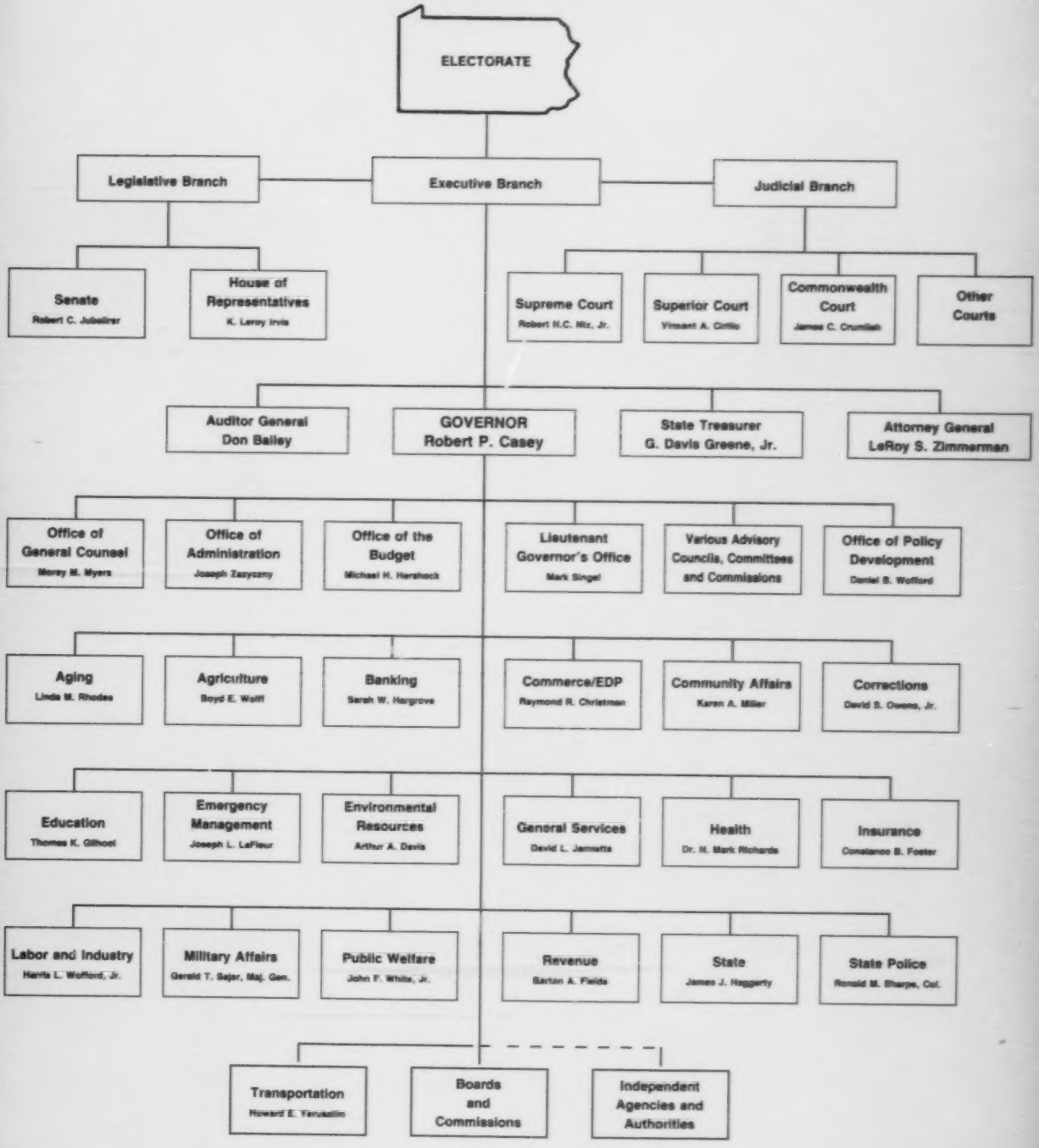


President



Executive Director

COMMONWEALTH OF PENNSYLVANIA
ORGANIZATION AND OFFICIALS CHART
JUNE 30,1988



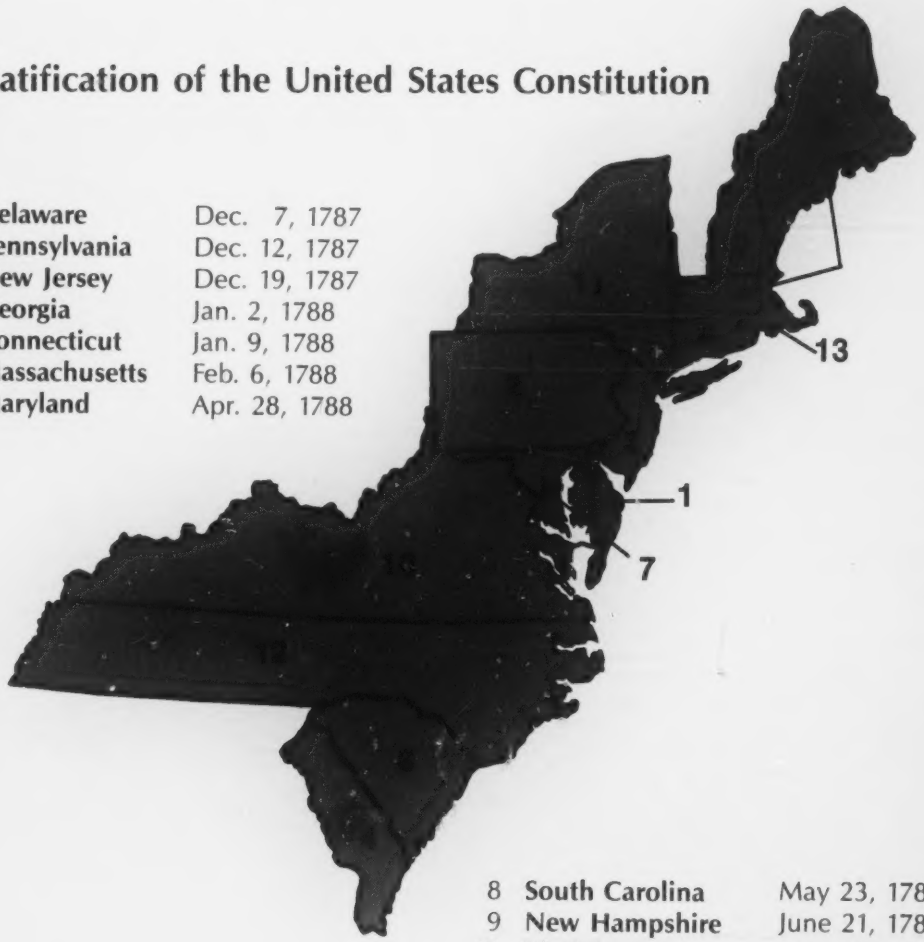
In the summer of 1787, 55 delegates, from twelve states, convened in the State House in Philadelphia and devised a new national government, then loosely allied in a "league of friendship" under the Articles of Confederation. The delegates sat almost daily for four months and argued out their ideas in long, often heated sessions behind closed doors. In mid-September they gave to their countrymen the final document, four pages of parchment setting forth a plan of union calculated "to secure the Blessings of Liberty to ourselves and our Prosperity."

This document was the Federal Constitution. It provided for a sovereign government with clearly defined powers and responsibilities. In spare, eloquent language, the delegates created a central government with authority in national affairs while reserving local affairs to the states. They steered between the equal dangers of tyranny and ineffectualness with a system of checks and balances: a two-house legislature, one representing the people at large and the other the States; an executive branch with a single head; an independent judiciary; strict limitations on powers granted; a provision for amendments; and the vesting of sovereignty in the people themselves and not in offices and institutions. That delegates of widely diverse interests could unite on such a system was, for George Washington, "little short of a miracle." In London, John Adams declared the convention "the greatest single effort of national deliberation that the world has ever seen."

Financial Section

Ratification of the United States Constitution

1	**Delaware**	Dec. 7, 1787
2	**Pennsylvania**	Dec. 12, 1787
3	**New Jersey**	Dec. 19, 1787
4	**Georgia**	Jan. 2, 1788
5	**Connecticut**	Jan. 9, 1788
6	**Massachusetts**	Feb. 6, 1788
7	**Maryland**	Apr. 28, 1788



8	**South Carolina**	May 23, 1788
9	**New Hampshire**	June 21, 1788
10	**Virginia**	June 25, 1788
11	**New York**	July 26, 1788
12	**North Carolina**	Nov. 21, 1789
13	**Rhode Island**	May 29, 1790

Signers of the Constitution

Delaware

Richard Bassett
Gunning Bedford, Jr.
Jacob Broom
John Dickinson

Pennsylvania

George Clymer
Thomas FitzSimons
Benjamin Franklin
Jared Ingersoll
Thomas Mifflin
Gouverneur Morris
Robert Morris
James Wilson

New Jersey

David Brearley
Jonathan Dayton
William Livingston
William Pateron

Georgia

Abraham Baldwin
William Few

Connecticut

William Samuel Johnson
Roger Sherman

Massachusetts

Nathaniel Gorham
Rutus King

Maryland

Daniel Carroll
Daniel Jenifer
James McHenry
George Read

South Carolina

Pierce Butler
Charles Pinckney
Charles Cotesworth Pinckney
John Rutledge

New Hampshire

Nicholas Gilman
John Langdon

Virginia

John Blair
James Madison
George Washington

New York

Alexander Hamilton

North Carolina

William Blount
Richard Dobbs Spaight
Hugh Williamson

Rhode Island

None

Commonwealth of Pennsylvania
Office of the Auditor General
Harrisburg 17120

DON BAILEY
AUDITOR GENERAL

KPMG Peat Marwick

Certified Public Accountants

Peat Marwick Main & Co.
225 Market Street
Suite 300
P.O. Box 1190
Harrisburg, PA 17108-1190

Independent Auditors' Report

The Honorable Robert P. Casey
Governor
Commonwealth of Pennsylvania
Harrisburg, Pennsylvania

We have jointly audited the general purpose financial statements of the Commonwealth of Pennsylvania as of and for the fiscal year ended June 30, 1988, as listed in the accompanying table of contents. These general purpose financial statements are the responsibility of the Commonwealth's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not jointly audit the financial statements of certain component units, which represent 44, 71, 51 and 77 percent of total assets and 2, 76, 44 and 37 percent of total revenues, respectively, of the Special Revenue, Debt Service, Capital Projects and Enterprise Fund Types, 89 percent of total assets of the Trust and Agency Fund Type, all revenues of the Pension Trust Funds, and 20 percent of total liabilities of the General Long-Term Obligations Account Group, and we did not jointly audit the financial statements of the State System of Higher Education which represent the amounts shown as the College and University Funds. The financial statements of these component units and the College and University Funds were audited by other auditors, including Peat Marwick Main & Co. acting separately, whose reports thereon have been furnished to us and our opinion expressed herein, insofar as it relates to the amounts included for those component units and the College and University Funds, is based solely on the reports of the other auditors. Peat Marwick Main & Co. has audited separately 11 and 63 percent of total assets and 8 and 75 percent of total revenues, respectively, of the Enterprise Funds and Pension Trust Funds and the financial statements of the State System of Higher Education.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other auditors, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Commonwealth of Pennsylvania at June 30, 1988, and the results of its operations and the changes in financial position of its Proprietary Fund Types and Pension Trust Fund for the fiscal year then ended, in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining financial statements and schedules listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Commonwealth of Pennsylvania. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, and based upon the reports of other auditors, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

We did not audit the data included in the introductory and statistical sections of this report and, therefore, express no opinion thereon.

Don Bailey

Peat Marwick Main & Co.

November 18, 1988, except for Note R,
as to which the date is December 12, 1988

PENNSYLVANIA SIGNERS OF THE CONSTITUTION

At the Federal Convention, the Pennsylvania delegation was second only in importance to that of Virginia, and held an influential position with the larger state party. James Wilson was the leading Pennsylvania participant in the convention, while Gouverneur Morris played a very active role and Franklin's experience, wisdom, and prestige were of great influence in that body.

George Clymer 1739-1813 was born in Philadelphia, Pennsylvania, orphaned early, and later adopted by his uncle and aunt, William and Hannah Fitzwater Colemen. His political life began in 1773 and in 1776 he was elected to the Continental Congress. In 1784 he was elected to the state Assembly and he retired from public life in 1796. Among other posts, he was a Director of the Bank of North American and First President of the Philadelphia Bank and of the Academy of Fine Arts.

Thomas FitzSimons 1741-1811 was born in Ireland. He emigrated to the colonies, settled in Philadelphia, and started out on a mercantile career. His political life began in 1777 when he was appointed to the Naval Board of Pennsylvania. He was elected to the Pennsylvania Assembly in 1786 and served three terms. He served the same number of terms in the First Congress under the new government as a member of the House of Representatives. He was a founder and director of the Bank of North America and a founder and president of the Insurance Company of North America. He also promoted the advancement of public education and was a trustee of the University of Pennsylvania.

Benjamin Franklin 1706-1790 was born in Boston and received only two years of schooling before he was brought into business with his father and later, in 1718, became an apprentice printer for his brother. His career in public office began as a Commissioner of Peace in 1749, a member of the Philadelphia Common Council, and alderman. In 1751 he was elected to the Pennsylvania Assembly. He was, at eighty-one, the oldest delegate to the Federal Convention. His many accomplishments are well known to almost everyone in America and in Europe as well. Upon his death the House of Representatives of the Congress, in New York, voted to wear mourning for a month. In France, the National Assembly wore mourning for " le grand Franklin" for three days. He was termed, by Thomas Jefferson, as "the greatest man and ornament of the age and country in which he lived."

Jared Ingersoll 1749-1822 was born in New Haven, Connecticut and graduated from Yale in 1766. He began his law practice in 1773 and became well-known and successful by 1779. Following the Federal Convention he served Philadelphia as a member of the Common Council and City Solicitor, and he was twice Attorney General of Pennsylvania. He was admitted to the bar of the Supreme Court in 1791 and at the time of his death, he was presiding judge of the District Court for the city and county of Philadelphia.

Thomas Mifflin 1744-1800 was born in Philadelphia, Pennsylvania. He attended a Quaker School and graduated from the College of Philadelphia in 1760. His military service, although he climbed to the rank of Major General, was not the best since he was adjudged the responsibility for the terrible conditions that existed at Valley Forge. In politics he served in the Pennsylvania Assembly for over seven years including being its Speaker, as President of the state Supreme Executive Council, as President of the state Constitution Convention, and as the first Governor of the state under the new Pennsylvania constitution.

Gouverneur Morris 1752-1816 was born in what is now part of Bronx County, one of New York City's five boroughs. He graduated from King's College and began his law practice in 1771. He turned to a political career in 1774 and served in several capacities in New York before he moved to Philadelphia in 1779. At the Federal Convention, he was recorded as the most frequent speaker. He is also credited with providing the "finish" given to the style and arrangement of the Constitution. In 1788 he sailed for France to superintend tobacco and flour contracts. From 1792 to 1794 he served as Minister to France, having been appointed by President Washington. He returned to New York in 1798 and was elected to fill an unexpired term in the U.S. Senate for which he was later defeated for re-election.

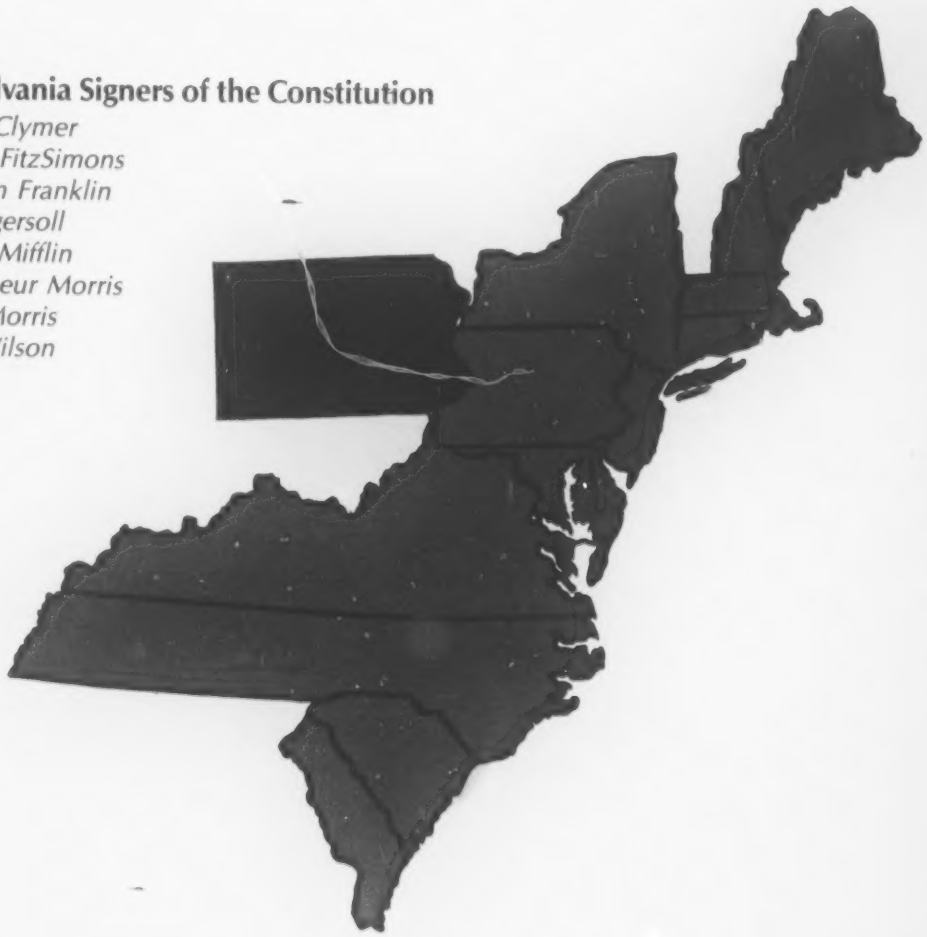
Robert Morris 1734-1806 was born in England and received brief schooling in Philadelphia, Pennsylvania. His political life began in 1766 when Governor John Penn appointed him a member of the Board of Port Wardens. In 1775 he was made a member of the Continental Congress and was soon involved in extensive committee work. He is noted for the financial support given to General Washington in his battles against the British and in financing military campaigns. He started the Bank of North America which opened in 1782. Later in life he became bankrupt as a result of unwise land purchases, speculations, and overestimating the timing of the country's westward expansion.

James Wilson 1742-1798 was born in Scotland and sailed for America in 1765. His studies while in Scotland enabled him to become a Latin tutor in the College of Philadelphia. He began his law career in Reading in 1768 and later moved to Carlisle. At the Federal Convention he was extremely active in the debates and in tending to official business. He favored election of the first branch by the people because "all Government ought to rest" on the great foundation of the people. In 1789 President Washington appointed him an Associate Justice of the U.S. Supreme Court. He was also chosen by the Pennsylvania Assembly to revise and digest the laws of the Commonwealth which he was unable to complete before his death, owing to the strain of his financial collapse.

General Purpose Financial Statements

Pennsylvania Signers of the Constitution

George Clymer
Thomas FitzSimons
Benjamin Franklin
Jared Ingersoll
Thomas Mifflin
Gouverneur Morris
Robert Morris
James Wilson



COMBINED BALANCE SHEET
All Fund Types and Account Groups

June 30, 1988

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Type	Account Groups			
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	College and University Funds	Totals (Memorandum Only)
ASSETS											
Cash—Note D	$ 44,368	$ 37,864	$ 4,302	$ 737	$ 39,405	$ 403	$ 4,929	$	$	$ 6,717	$ 138,725
Cash with fiscal agents—Note D	22,234	....	28,035	13,930	....	....	1,122,745	....	....	....	1,186,944
Temporary investments—Note D	721,073	1,085,612	118,618	362,913	1,623,399	9,369	3,225,726	....	....	142,820	7,289,530
Long-term investments—Note D	....	7,255	53,708	12,519	1,399,063	....	16,764,159	....	....	10,487	18,247,191
Receivables, net:											
Taxes—Note G	503,687	129,596	....	....	....	....	355,076	....	....	....	988,359
Accounts	23,887	51,459	....	....	17,140	27	6,634	....	....	11,586	110,733
Accrued interest	22,109	7,204	4,718	2,515	57,252	57	218,216	....	....	2	312,073
Loans—Note G	....	98,353	....	....	2,085,048	....	....	....	....	18,157	2,201,558
Lease rental—Note G	....	1,159,910	46,685	....	....	....	....	....	....	....	1,206,595
Pension contributions	....	....	....	....	....	....	211,286	....	....	....	211,286
Other	902	2,773	....	989	....	18	35,270	....	....	2,365	42,317
Due from other funds—Note H	32,467	14,679	1,222	....	63,329	8,594	209,114	....	....	36,480	365,885
Due from other governments—Note F	407,031	96,236	....	....	17,195	961	35,319	....	....	....	556,742
Advances to other funds—Note H	70,175	....	....	....	....	....	....	....	....	....	70,175
Inventory	....	....	....	....	112,935	10,133	....	....	....	3,962	127,030
Fixed assets—Note E	....	....	....	....	1,351,101	36,912	5,469	2,768,465	....	290,973	4,452,920
Less: accumulated depreciation	....	....	....	....	(636,899)	(22,621)	(1,928)	....	....	....	(661,448)
Other assets	1,633	....	....	....	38,405	6	121,479	....	....	12,140	173,663
Amounts available in Commonwealth Funds for:											
Retirement of general obligation bonds	....	....	....	....	....	....	....	....	10,877	....	10,877
Retirement of revenue bonds	....	....	....	....	....	....	....	....	131,272	....	131,272
Other general long-term obligations—Note B	....	....	....	....	....	....	....	....	175,428	....	175,428
Amounts to be provided for the retirement of:											
General obligation bonds	....	....	....	....	....	....	....	....	4,687,768	....	4,687,768
Revenue bonds	....	....	....	....	....	....	....	....	1,159,910	....	1,159,910
Other general long-term obligations	....	....	....	....	....	....	....	....	1,232,539	....	1,232,539
TOTAL ASSETS	$ 1,849,566	$ 2,690,941	$ 257,288	$ 393,603	$ 6,167,373	$ 43,859	$22,313,494	$ 2,768,465	$ 7,397,794	$ 535,689	$44,418,072

— See notes to financial statements. —

COMBINED BALANCE SHEET
All Fund Types and Account Groups—(continued)

June 30, 1988

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

LIABILITIES AND FUND EQUITY	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Type	Account Groups		College and University Funds	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations		
Liabilities:											
Accounts payable and accrued liabilities	$ 666,652	$ 466,199	$ 10	$ 24,491	$ 182,758	$ 6,085	$ 176,023	$	$	$ 67,604	$ 1,589,822
Unsettled investment purchases	....	....	....	....	....	....	123,558	....	....	....	123,558
Tax refunds payable	203,271	10,465	....	....	....	....	3,434	....	....	....	217,170
Matured debt principal and interest payable	22,234	....	67,655	....	....	....	....	....	....	....	89,889
Due to other funds—Note H	193,185	93,872	1	8,786	18,816	7,988	8,152	....	....	44,993	375,793
Due to other governments	181,104	17,690	....	30	16,992	19	184,693	....	....	....	400,528
Deferred revenue	10,355	1,166,945	46,685	....	32,178	....	....	....	....	17,605	1,273,768
Notes payable—Note J	....	....	....	....	2,022	....	....	....	....	3,740	5,762
Demand revenue bonds payable—Note J	....	....	....	....	200,000	....	....	....	....	....	200,000
Advances from other funds—Note H	....	2,175	....	....	67,300	....	....	....	....	....	69,475
Other liabilities	....	....	788	....	117,807	142	222,930	....	....	7,480	349,147
Insurance loss liability	....	....	....	....	598,790	....	....	....	....	....	598,790
Federal advances for unemployment compensation benefits—Note K	....	....	....	....	....	....	207,221	....	....	....	207,221
General obligation bonds payable—Note K	....	....	....	....	....	....	....	....	4,698,645	....	4,698,645
Revenue bonds payable—Note K	....	....	....	....	2,755,360	....	....	....	1,291,182	....	4,046,542
Capital lease and other general long-term obligations—Note K	....	....	....	....	....	....	....	....	1,407,967	60,085	1,468,052
TOTAL LIABILITIES	1,276,801	1,757,346	115,139	33,307	3,992,023	14,234	926,011	....	7,397,794	201,507	15,714,162
Fund Equity:											
Contributed capital	....	....	....	....	634,435	8,917	....	....	....	....	643,352
Investment in fixed assets	....	....	....	....	....	....	....	2,768,465	....	244,646	3,013,111
Retained earnings:											
Reserved—Note B	....	....	....	....	816,413	....	....	....	....	....	816,413
Unreserved	....	....	....	....	724,502	20,708	....	....	....	....	745,210
Fund balance:											
Reserved for:											
Encumbrances	113,230	213,625	....	317,727	....	....	103	....	....	9,263	653,948
Advances	70,175	....	....	....	....	....	....	....	....	....	70,175
Pension benefits	....	....	....	....	....	....	19,801,628	....	....	....	19,801,628
Loans receivable	....	98,353	....	....	....	....	....	....	....	19,440	117,793
Endowment and similar funds	....	....	....	....	....	....	....	....	....	8,128	8,128
Restricted fund balance	....	....	....	....	....	....	....	....	....	19,765	19,765
Other	2,535	....	....	....	....	....	....	....	....	13,775	16,310
Unreserved:											
Designated for:											
Capital projects	....	....	....	195,353	....	....	....	....	....	....	195,353
Debt service:											
Retirement of general obligation bonds	....	....	10,877	....	....	....	....	....	....	....	10,877
Retirement of revenue bonds	....	....	131,272	....	....	....	....	....	....	....	131,272
Highways	....	46,414	....	....	....	....	....	....	....	....	46,414
Other—Note B	386,825	36,969	....	4,532	....	....	86,757	....	....	....	515,083
Undesignated (deficit)—Note B	....	538,234	....	(157,316)	....	....	1,498,995	....	....	19,165	1,899,078
TOTAL FUND EQUITY	572,765	933,595	142,149	360,296	2,175,350	29,625	21,387,483	2,768,465	....	334,182	28,703,910
TOTAL LIABILITIES AND FUND EQUITY	$ 1,849,566	$ 2,690,941	$ 257,288	$ 393,603	$ 6,167,373	$ 43,859	$22,313,494	$ 2,768,465	$ 7,397,794	$ 535,689	$44,418,072

— See notes to financial statements. —

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
All Governmental Fund Types and Expendable Trust Funds

For the Fiscal Year Ended June 30, 1988

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	Governmental Fund Types				Fiduciary Fund Type	
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	Totals (Memorandum Only)
REVENUES:						
Taxes, penalties and interest	$ 9,898,873	$ 989,399	$	$	$ 6,813	$10,895,085
Unemployment taxes	....	....	....	....	1,959,313	1,959,313
Licenses and fees	83,447	505,079	....	....	61,673	650,199
Intergovernmental	3,063,436	803,859	....	6,288	....	3,873,583
Charges for sales and services	351,684	184,491	....	....	....	536,175
Investment income	61,535	77,250	30,899	24,261	52,668	246,613
Lottery revenues	....	1,472,311	....	....	....	1,472,311
Other	39,360	101,808	12,209	203	308	153,888
TOTAL REVENUES	13,498,335	4,134,197	43,108	30,752	2,080,775	19,787,167
EXPENDITURES:						
Current:						
General government	668,561	1,072,565	....	....	9,902	1,751,028
Protection of persons and property	1,021,326	342	....	....	41,966	1,063,634
Public health and welfare	5,876,968	827,924	....	....	916,036	7,620,928
Public education	4,669,041	305	....	91,824	25	4,761,195
Conservation of natural resources	254,849	79,984	....	....	....	334,833
Economic development and assistance	242,913	31,657	....	71,467	....	346,037
Transportation	228,503	1,913,166	....	30,295	....	2,171,964
Capital outlay	58,284	17,952	....	198,100	....	274,336
Debt service:						
Principal retirement	....	....	482,277	....	....	482,277
Interest and fiscal charges	28,215	6,642	373,204	907	47,338	456,306
TOTAL EXPENDITURES	13,048,660	3,950,537	855,481	392,593	1,015,267	19,262,538
REVENUES OVER (UNDER) EXPENDITURES	449,675	183,660	(812,373)	(361,841)	1,065,508	524,629
OTHER FINANCING SOURCES (USES):						
Bond proceeds	....	11,892	....	539,452	....	551,344
Refunding bond proceeds	....	....	38,240	....	....	38,240
Operating transfers in—Note H	217,066	376,379	821,456	46,374	10	1,461,285
Operating transfers out—Note H	(904,675)	(758,625)	(22,382)	(204,432)	....	(1,890,114)
Payment to refunded bond escrow agent	....	....	(31,842)	....	....	(31,842)
Capital lease and installment purchase obligations	30,237	10,378	....	....	....	40,615
Lease principal payments received	....	108,379	....	....	....	108,379
Other	....	(330)	(13,333)	(4,278)	....	(17,941)
NET OTHER FINANCING SOURCES (USES)	(657,372)	(251,927)	792,139	377,116	10	259,966
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(207,697)	(68,267)	(20,234)	15,275	1,065,518	784,595
FUND BALANCES, JULY 1, 1987—AS RESTATED—NOTE C	819,462	1,072,221	162,383	345,021	520,337	2,919,424
RESIDUAL EQUITY TRANSFERS—NOTE H	(39,000)	(70,359)	....	....	....	(109,359)
FUND BALANCES, JUNE 30, 1988	$ 572,765	$ 933,595	$ 142,149	$ 360,296	$ 1,585,855	$ 3,594,660

— See notes to financial statements. —

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN UNRESERVED/UNDESIGNATED FUND BALANCES— BUDGET AND ACTUAL (BUDGETARY BASIS)
General and Budgeted Special Revenue Funds

For the Fiscal Year Ended June 30, 1988

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	General Fund			Budgeted Special Revenue Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:						
State Programs:						
Taxes, net of refunds	$ 9,957,465	$10,023,977	$ 66,512	$ 919,080	$ 930,545	$ 11,465
Lottery receipts	....	....	....	824,584	789,260	(35,324)
Liquor store profits transfer	31,000	26,000	(5,000)	....	....	....
Licenses and fees	38,950	37,841	(1,109)	429,475	451,558	22,083
Fines, penalties and interest	15,850	13,957	(1,893)	....	....	....
Departmental services	479,132	479,132	....	20,142	20,142	....
Other	94,941	107,385	12,444	102,332	110,621	8,289
TOTAL STATE PROGRAMS	10,617,338	10,688,292	70,954	2,295,613	2,302,126	6,513
Federal Programs	3,281,245	3,130,494	(150,751)	843,289	672,745	(170,544)
TOTAL REVENUES	13,898,583	13,818,786	(79,797)	3,138,902	2,974,871	(164,031)
EXPENDITURES:						
State Programs:						
General government	997,667	981,722	15,945	502,842	491,972	10,870
Protection of persons and property	848,885	847,031	1,854	162,224	162,224	....
Public health and welfare	3,333,323	3,316,450	16,873	629,095	627,723	1,372
Public education	5,052,672	5,042,626	10,046	2,300	1,948	352
Conservation of natural resources	201,070	198,256	2,814	....	....	....
Economic development and assistance	388,609	388,050	559	....	....	....
Transportation	223,765	222,113	1,652	1,068,176	1,066,830	1,346
TOTAL STATE PROGRAMS	11,045,991	10,996,248	49,743	2,364,637	2,350,697	13,940
Federal Programs	3,281,245	3,130,494	150,751	843,289	672,745	170,544
TOTAL EXPENDITURES	14,327,236	14,126,742	200,494	3,207,926	3,023,442	184,484
REVENUES UNDER EXPENDITURES	(428,653)	(307,956)	120,697	(69,024)	(48,571)	20,453
OTHER FINANCING SOURCES:						
Prior year lapses	54,780	54,780	....	37,811	37,811	....
Increase of budgeted revenues	37,630	....	(37,630)	....	....	....
TOTAL OTHER FINANCING SOURCES	92,410	54,780	(37,630)	37,811	37,811	....
REVENUES AND OTHER SOURCES UNDER EXPENDITURES	(336,243)	(253,176)	83,067	(31,213)	(10,760)	20,453
UNRESERVED/UNDESIGNATED FUND BALANCES (BUDGETARY BASIS), JULY 1, 1987	347,834	347,834	....	410,180	410,180	....
UNRESERVED/UNDESIGNATED FUND BALANCES (BUDGETARY BASIS), JUNE 30, 1988	$ 11,591	$ 94,658	$ 83,067	$ 378,967	$ 399,420	$ 20,453

— See notes to financial statements. —

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS/FUND BALANCES
All Proprietary Fund Types and Pension Trust Funds

For the Fiscal Year Ended June 30, 1988

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	Proprietary Fund Types		Fiduciary Fund Type	
	Enterprise	Internal Service	Pension Trust—Note I	Totals (Memorandum Only)
OPERATING REVENUES:				
Sales and services	$ 986,764	$ 75,075	$	$ 1,061,839
Investment income	172,609	....	1,213,725	1,386,334
Interest on notes and loans	156,122	....	....	156,122
Pension contributions	....	....	1,709,353	1,709,353
Other	6,369	50	....	6,419
TOTAL OPERATING REVENUES	1,321,864	75,125	2,923,078	4,320,067
OPERATING EXPENSES:				
Cost of sales and services	1,022,295	66,297	14,382	1,102,974
Interest expense	174,788	....	12,280	187,068
Depreciation	50,565	6,178	640	57,383
Bad debts	11,199	....	....	11,199
Benefit payments and refunds	....	....	1,247,502	1,247,502
Other	7	....	....	7
TOTAL OPERATING EXPENSES	1,258,854	72,475	1,274,804	2,606,133
OPERATING INCOME	63,010	2,650	1,648,274	1,713,934
NONOPERATING REVENUES (EXPENSES):				
Investment income	18,952	859	....	19,811
Interest expense	(3,538)	(74)	....	(3,612)
Other	(2,683)	....	....	(2,683)
NONOPERATING REVENUES, NET	12,731	785	....	13,516
INCOME BEFORE OPERATING TRANSFERS	75,741	3,435	1,648,274	1,727,450
OPERATING TRANSFERS:				
Operating transfers in—Note H	154,448	....	15,457	169,905
Operating transfers out—Note H	(26,424)	....	(23,777)	(50,201)
TOTAL OPERATING TRANSFERS	128,024	....	(8,320)	119,704
NET INCOME	203,765	3,435	1,639,954	1,847,154
RETAINED EARNINGS/FUND BALANCES, JULY 1, 1987	1,337,150	17,273	18,161,674	19,516,097
RETAINED EARNINGS/FUND BALANCES, JUNE 30, 1988	$ 1,540,915	$ 20,708	$19,801,628	$21,363,251

— See notes to financial statements. —

COMBINED STATEMENT OF CHANGES IN FINANCIAL POSITION
All Proprietary Fund Types and Pension Trust Fund

For the Fiscal Year Ended June 30, 1988

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	Proprietary Fund Types		Fiduciary Fund Type	
	Enterprise	Internal Service	Pension Trust Note I	Totals (Memorandum Only)
CASH PROVIDED FROM (USED FOR) OPERATIONS:				
Net income	$ 203,765	$ 3,435	$ 1,393,143	$ 1,600,343
Items not using (providing) cash:				
Depreciation	50,565	6,178	625	57,368
Net amortization	(2,876)	. . . .	(15,109)	(17,985)
Net gain on sale of long-term investments	(6,250)	. . . .	(165,031)	(171,281)
	245,204	9,613	1,213,628	1,468,445
Decrease (increase) in receivables	(245,288)	23	4,606	(240,659)
Decrease (increase) in due from other funds	(62,492)	701	(5,444)	(67,235)
Decrease (increase) in due from other governments	(7,966)	210	8	(7,748)
Decrease (increase) in inventory	3,504	(311)	. . . .	3,193
Increase in accounts payable and accrued liabilities	2,995	1,006	8,263	12,264
Increase (decrease) in due to other funds	(2,232)	(149)	3,225	844
Increase (decrease) in due to other governments	14,231	(4)	. . . .	14,227
Decrease in deferred revenue	(2,799)	. . . .	. . . .	(2,799)
Increase in insurance loss liability	38,344	. . . .	. . . .	38,344
TOTAL CASH PROVIDED FROM (USED FOR) OPERATIONS	(16,499)	11,089	1,224,286	1,218,876
CASH PROVIDED FROM (USED FOR) INVESTMENT ACTIVITIES:				
Decrease in other current assets	2,463	8	27,743	30,214
Proceeds from sale of long-term investments	269,099	. . . .	7,972,659	8,241,758
Purchase of long-term investments	(200,533)	. . . .	(8,864,763)	(9,065,296)
Increase (decrease) in other current liabilities	8,319	(40)	(136,198)	(127,919)
Additions to fixed assets	(114,101)	(8,232)	(1,038)	(123,371)
NET CASH USED FOR INVESTMENT ACTIVITIES	(34,753)	(8,264)	(1,001,597)	(1,044,614)
CASH PROVIDED FROM (USED FOR) FINANCING ACTIVITIES:				
Issuance of revenue bonds	463,227	. . . .	. . . .	463,227
Increase in contributed capital	114,552	. . . .	. . . .	114,552
Decrease in notes payable	(592)	. . . .	. . . .	(592)
Decrease in demand revenue bonds payable	(102,000)	. . . .	. . . .	(102,000)
Redemption of long-term obligations	(251,930)	. . . .	. . . .	(251,930)
NET CASH PROVIDED FROM FINANCING ACTIVITIES	223,257	. . . .	. . . .	223,257
INCREASE IN CASH AND TEMPORARY INVESTMENTS	172,005	2,825	222,689	397,519
CASH AND TEMPORARY INVESTMENTS, JULY 1, 1987	1,490,799	6,947	1,814,189	3,311,935
CASH AND TEMPORARY INVESTMENTS, JUNE 30, 1988	$ 1,662,804	$ 9,772	$ 2,036,878	$ 3,709,454

— See notes to financial statements. —

COMBINED STATEMENT OF CHANGES IN FUND BALANCES
College and University Funds

For the Fiscal Year Ended June 30, 1988

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	Current Funds				Plant Funds				
	Unrestricted	Restricted	Loan Funds	Endowment and Similar Funds	Unexpended	Renewal and Replacement	Retirement of Indebtedness	Investment in Plant	Totals
REVENUES AND OTHER ADDITIONS:									
Unrestricted current funds	$ 278,896	$	$	$	$	$	$	$	$ 278,896
Gifts and bequests	....	2,389	....	98	360	115	....	2,028	4,990
Grants and contracts	....	62,580	181	....	1,138	....	....	....	63,899
Federal advances	....	....	1,527	....	....	....	....	....	1,527
Endowment income	....	262	1	12	....	....	....	....	275
Investment income	....	125	138	....	1,486	16	258	....	2,023
Interest on loans receivable	....	....	481	....	....	....	....	....	481
Expended for plant facilities — Net of disposals (including $34,133 charged to current funds expenditures)	....	....	....	....	11,480	....	....	56,141	67,621
Other	....	1,139	....	52	1,428	3,622	....	7,274	13,515
TOTAL REVENUES AND OTHER ADDITIONS	278,896	66,495	2,328	162	15,892	3,753	258	65,443	433,227
EXPENDITURES AND OTHER DEDUCTIONS:									
Educational and general	479,044	66,964	....	....	....	....	....	....	546,008
Auxiliary enterprise	74,335	119	....	....	....	....	....	....	74,454
Loan cancellations	....	....	587	....	....	....	....	....	587
Administrative and collection costs	....	....	592	....	....	....	....	....	592
Expended for plant facilities	....	....	....	....	15,155	9,495	....	....	24,650
Retirement of indebtedness	....	....	....	....	....	....	4,222	....	4,222
Interest on indebtedness	....	....	....	....	1,779	....	1,644	....	3,423
Other	....	802	178	....	1,923	....	691	34,090	37,684
TOTAL EXPENDITURES AND OTHER DEDUCTIONS	553,379	67,885	1,357	....	18,857	9,495	6,557	34,090	691,620
TRANSFER AND ALLOCATION AMONG FUNDS — ADDITIONS (DEDUCTIONS):									
Mandatory:									
Loan funds matching grant	....	....	10	....	....	....	....	....	10
Principal and interest	(6,306)	....	....	....	650	....	5,656	....	....
Other	(3,270)	3	....	....	757	2,500	....	....	(10)
Nonmandatory:									
Operating transfers in from General Fund	295,350	2,955	....	....	....	2,500	....	....	300,805
Other	(8,045)	45	....	26	4,172	3,068	734	....	....
TOTAL TRANSFERS AND ALLOCATIONS	277,729	3,003	10	26	5,579	8,068	6,390	....	300,805
NET INCREASE FOR THE YEAR	3,246	1,613	981	188	2,614	2,326	91	31,353	42,412
FUND BALANCES, JULY 1, 1987	26,492	5,970	18,459	3,841	7,237	14,315	2,163	213,293	291,770
FUND BALANCES, JUNE 30, 1988	$ 29,738	$ 7,583	$ 19,440	$ 4,029	$ 9,851	$ 16,641	$ 2,254	$ 244,646	$ 334,182

— See notes to financial statements. —

COMBINED STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

College and University Funds — *For the Fiscal Year Ended June 30, 1988*

COMMONWEALTH OF PENNSYLVANIA

	(Expressed in Thousands)		
	Unrestricted	Restricted	Total
REVENUES:			
Tuition and fees	$ 178,720	$	$ 178,720
Government grants and contracts:			
State	465	21,139	21,604
Federal	893	39,580	40,473
Private gifts, grants and contracts	1,186	4,147	5,333
Investment income	9,473	107	9,580
Endowment income	25	242	267
Activities of educational departments	1,230	. . . .	1,230
Other sources	9,621	. . . .	9,621
Auxiliary enterprises	77,283	. . . .	77,283
TOTAL REVENUES	278,896	65,215	344,111
EXPENDITURES AND MANDATORY TRANSFERS:			
EXPENDITURES:			
Educational and general:			
Instruction	248,785	5,207	253,992
Research	680	1,441	2,121
Public service	4,066	7,798	11,864
Academic support	53,666	2,104	55,770
Student services	37,958	2,326	40,284
Operations and maintenance of plant	60,505	682	61,187
General institutional support	70,229	2,366	72,595
Student aid	3,155	45,040	48,195
TOTAL EDUCATIONAL AND GENERAL	479,044	66,964	546,008
Auxiliary enterprises	74,335	119	74,454
TOTAL EXPENDITURES	553,379	67,083	620,462
MANDATORY TRANSFERS:			
Renewal and replacement	2,500	. . . .	2,500
Retirement of indebtedness	5,656	. . . .	5,656
Other	1,420	(3)	1,417
TOTAL MANDATORY TRANSFERS	9,576	(3)	9,573
TOTAL EXPENDITURES AND MANDATORY TRANSFERS	562,955	67,080	630,035
OPERATING TRANSFERS, OTHER TRANSFERS AND ADDITIONS:			
Operating transfers in from General Fund	295,350	2,955	298,305
Other transfers	(8,045)	45	(8,000)
Additions	. . . .	478	478
TOTAL OPERATING TRANSFERS, OTHER TRANSFERS AND ADDITIONS	287,305	3,478	290,783
NET INCREASE IN FUND BALANCES	$ 3,246	$ 1,613	$ 4,859

— See notes to financial statements. —

COMMONWEALTH OF PENNSYLVANIA

NOTE A—FINANCIAL REPORTING ENTITY

For financial reporting purposes, in conformity with generally accepted accounting principles (GAAP), the Commonwealth includes all funds, agencies, boards, commissions and authorities over which the Commonwealth's executive or legislative branches exercise oversight responsibility. Oversight responsibility of the Commonwealth was determined on the basis of budget adoption, tax authority, funding, outstanding debt secured by revenues or general obligations of the Commonwealth, authority to appoint an organization's governing board, and the organization's scope of service and financing relationship to the Commonwealth. The accompanying financial statements include all Commonwealth funds, agencies, boards and commissions required to submit an annual budget in accordance with Section 610 of the Administrative Code of 1929, as amended, and the following organizations:

General State Authority
Pennsylvania Higher Educational Facilities Authority
Pennsylvania Higher Education Assistance Agency
Pennsylvania Housing Finance Agency
Pennsylvania Industrial Development Authority
Pennsylvania Turnpike Commission
Public School Employes' Retirement System
State Employes' Retirement System
State Highway and Bridge Authority
State Public School Building Authority
State System of Higher Education

Certain independent charitable foundations and affiliated organizations of the State System of Higher Education, including alumni associations, trusts, student government associations, bookstores and science and research centers are not included in the Commonwealth financial reporting entity. Such foundations and organizations are separate and distinct from the respective universities — they are separately incorporated, have their own charters and are governed by representatives from the private sector. The foundations and affiliated organizations are responsible for their own daily operations, debt service, personnel and financial management.

The State-Related Universities listed below are not considered part of the reporting entity since they determine their own budgets without review or modification by the Commonwealth, have the power to fix and collect charges for their services, have the responsibility to fund their own deficits, dispose of their own surpluses, exercise complete autonomy over fiscal and institutional matters and may issue debt which is neither a statutory nor moral obligation of the Commonwealth:

Pennsylvania State University
Temple University
University of Pittsburgh
Lincoln University

The Pennsylvania Municipal Retirement System is excluded from the reporting entity because the System independently fixes and collects charges for providing municipal pension benefits, receives no funds from the Commonwealth, has no continuing policy-making affiliation with the Commonwealth and exercises complete autonomy over financial, operational and personnel matters.

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting: In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts, recording cash and/or other resources together with all related liabilities and equities which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with the fund's special regulations, restrictions or limitations. In the Commonwealth, funds are established by legislative enactment or in certain cases by administrative action.

NOTE B—Summary of Significant Accounting Policies (continued)

The Commonwealth has established the following fund categories, fund types and account groups:

Governmental Funds

General Fund — Accounts for all financial resources except those required to be accounted for in another fund. The General Fund is the Commonwealth's major operating fund.

Special Revenue Funds — Account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Funds — Account for the accumulation of resources, principally transfers from other funds, for the payment of general long-term debt principal and interest.

Capital Projects Funds — Account for financial resources to be used for the acquisition or construction of major capital facilities, including those provided to political subdivisions and other public organizations (other than those financed by Proprietary or Fiduciary Funds).

Proprietary Funds

Enterprise Funds — Account for operations that are financed and operated in a manner similar to private business enterprises. Costs of providing goods and services to the general public on a continuing basis, including depreciation, are financed or recovered primarily through user charges. The State Workmen's Insurance Fund is included for its fiscal year ended December 31, 1987, the Pennsylvania Turnpike Commission for its fiscal year ended May 31, 1988 and the State Stores Fund for its 52 week period ended June 28, 1988.

Internal Service Funds — Account for the financing of goods or services provided by one department or agency to other departments or agencies of the Commonwealth, or to other governmental units, on a cost-reimbursement basis.

Fiduciary Funds

Trust and Agency Funds — Account for assets held by the Commonwealth in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include Expendable Trust Funds, Pension Trust Funds and Agency Funds. The State Employes' Retirement System, a Pension Trust Fund, is included for its fiscal year ended December 31, 1987.

Account Groups

General Fixed Assets Account Group — Accounts for all general fixed assets acquired or constructed for use by the Commonwealth in the conduct of its activities, except those accounted for in Proprietary and Pension Trust Funds.

General Long-Term Obligations Account Group — Accounts for all long-term obligations of the Commonwealth, except those accounted for in Proprietary Funds.

College and University Funds

Account for the operations of the Office of the Chancellor and the 14 state-owned universities, which comprise the State System of Higher Education, in accordance with existing authoritative accounting and reporting principles applicable to colleges and universities. Accordingly, the College and University Funds are an aggregation of the following funds:

Current Funds—Unrestricted — Account for economic resources of the institution which are expendable for any purpose in performing the primary objectives of the universities and have not been designated by the governing body for any other purpose.

NOTE B—Summary of Significant Accounting Policies (continued)

Current Funds—Restricted — Account for resources received from donors or other outside agencies that are restricted by them for specific operating purposes.

Loan Funds — Account for resources available for loans to students, faculty or staff.

Endowment and Similar Funds — Consist of endowment funds, term endowment funds and quasi-endowment funds.

Endowment Funds — Account for resources which the donor has stipulated, as a condition of the gift instrument, that the principal amount would be maintained inviolate and in perpetuity for investment. Investment earnings may be added to the principal or expended for restricted or unrestricted purposes, based on the donor's request.

Term Endowment Funds — Account for resources, all or a part of the principal of which may be expended upon the passage of time or the happening of a particular event.

Quasi-Endowment Funds — Account for resources that the governing board of an institution, rather than an outside source, has determined will be retained and invested. Since this is an internal designation, the Board of Governors has the right to expend the principal of these funds at any time.

Plant Funds — Account for (a) resources available to acquire or repair institutional properties and to service debt incurred to acquire such properties and (b) the cost of fixed assets and the source from which the cost is funded.

Agency Funds — Account for resources held by the institution acting in the capacity of an agent for distribution to designated beneficiaries.

Measurement Focus and Basis of Accounting (GAAP): The accounts of the general, special revenue, debt service, capital project funds (Governmental Fund Types), expendable trust and agency funds are reported using the current financial resources measurement focus and modified accrual basis of accounting. Under this measurement focus only current assets and current liabilities are normally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. Fund balance represents a measure of "available spendable resources." Under the modified accrual basis of accounting, revenues of governmental and expendable trust funds are recognized in the year that they become both measurable and available (within 60 days of fiscal year-end) to pay current fiscal year liabilities. The Commonwealth accrues the following major revenue sources that are both measurable, available and susceptible to accrual:

Sales and use taxes, cigarette taxes, corporation taxes, personal income taxes, liquid fuels taxes, liquor taxes, grant revenues, investment income, institutional revenues, lottery revenues and sales of goods and services.

Revenues from other sources are recognized when received. Expenditures are generally recognized in the fiscal year the goods or services are received and the related fund liability is incurred. Debt service expenditures for principal and interest on general long-term obligations are recognized when due unless resources have been provided for payment early in the subsequent fiscal year. Prepaid items and inventory purchases are reported as current fiscal year expenditures, rather than allocating cost to the fiscal year when the items are used. Expenditures for claims, judgments, compensated absences and employer pension contributions are reported as the amount accrued during the fiscal year that normally would be liquidated with expendable available financial resources.

NOTE B—Summary of Significant Accounting Policies (continued)

The accounts of the enterprise, internal service (Proprietary Fund Types) and pension trust funds are reported using the flow of economic resources measurement focus and the accrual basis of accounting. Under this measurement focus all assets and liabilities associated with the operations of these funds are included on the balance sheet. Fund equity (i.e., net total assets) consists of contributed capital and retained earnings. Under the accrual basis of accounting, revenues are recognized in the fiscal year earned and expenses are recognized in the fiscal year incurred.

The accounts of the College and University Funds are reported using the "financial flow" (spending) measurement focus and the accrual basis of accounting with the exception that depreciation expense related to plant fund assets is not recorded.

This treatment is in accordance with the National Association of College and University Business Officers' (NACUBO) *College and University Business Administration (1982)* and the American Institute of Certified Public Accountants' (AICPA) *Audits of Colleges and Universities (1975)* for institutions of higher education.

Basis of Accounting (Budgetary). The Commonwealth's Constitution requires that the Governor submit a budget annually to be adopted by the General Assembly for the ensuing fiscal year. The General Assembly may add, change or delete any items in the budget proposed by the Governor, but the Governor retains veto power over the individual appropriations passed by the legislature. The Governor may also reduce individual appropriations, but may not increase them. A gubernatorial veto can be overridden only by a two-thirds majority of all members of each House of the General Assembly.

The Commonwealth's budget is essentially prepared on a cash basis (budgetary basis). Total appropriations enacted by the General Assembly may not exceed the ensuing fiscal year's estimated revenues, as developed by the Governor, plus (less) the unappropriated fund balance (deficit) of the preceding fiscal year, except for constitutionally authorized debt service payments.

Budgetary control is exercised at the appropriation level (legislative spending authority level). Encumbrances and expenditures cannot exceed appropriated amounts. Appropriation transfers between departments and any supplemental appropriations require both executive and legislative branch approval. Unencumbered and unexpended appropriations lapse at fiscal year end and become available for appropriation in the subsequent year. On the budgetary basis of accounting, certain estimated tax revenue accruals are recorded at fiscal year end for the General Fund and the Motor License Fund, a Special Revenue Fund. Accruals include sales and use taxes and personal income taxes, both applicable to the General Fund, and liquid fuels taxes applicable to the Motor License Fund, which are estimated to be owed to the Commonwealth but not collected at fiscal year end. Also, estimated encumbrances are established for all funds at fiscal year end to pay certain direct expenditures for salaries, wages, travel, and utility costs payable against current year appropriation authority but expended in the subsequent year. Over-estimates of prior year encumbrances are lapsed in the subsequent year and under-estimates are charged to subsequent year appropriation authority. A separate document, "Status of Appropriations" for the fiscal year ended June 30, 1988 reports the level of legal control at the appropriation level for specific departmental programs and functions, and is available from the Commonwealth's Office of the Budget.

Budgets are legally adopted each fiscal year for the following funds:

General Fund
Special Revenue Funds:
- State Lottery
- Motor License
- Workmen's Compensation Administration
- State Public School Building Authority

NOTE B—Summary of Significant Accounting Policies (continued)

Controls over spending in Special Revenue Funds that are not subject to legal budgets are maintained by use of spending limits (executive authorizations) established by the Governor.

The Commonwealth also makes appropriations to authorize expenditures for various capital projects. Appropriations for capital projects normally remain in effect until the completion of each project unless modified or rescinded.

Budget revenues in the accompanying Combined Statement of Revenues, Expenditures and Changes in Unreserved/Undesignated Fund Balances — Budget and Actual (Budgetary Basis) represent official estimates while expenditures represent amounts originally adopted and legally amended. Actual amounts are presented on the budgetary basis. Because the budgetary basis of accounting differs from GAAP, a reconciliation of the differences between budgetary basis and the GAAP basis of reporting is presented in Note M.

Pooled Cash: In accordance with the Pennsylvania Fiscal Code, cash balances of most Commonwealth funds are pooled by the Treasury Department. Cash balances are segregated by fund, but accounted for centrally for receipt and disbursement purposes. The law requires that collateral be pledged by banks and other financial institutions to guarantee the Commonwealth's cash on deposit.

Investments: Investments are maintained separately by fund. Temporary investments are stated at cost, which approximates market. Long-term investments are stated at the lower of cost or market for equity securities and at amortized cost for debt securities, except for investments of the State Employes' Retirement System, which are stated at market value.

Grants: Federal grants and assistance awards made on the basis of entitlement periods are recorded as intergovernmental revenues when entitlement occurs. Federal reimbursement type grants are recorded as revenues when the related expenditures or expenses are incurred.

Inventories: Inventories of goods, materials and supplies are maintained by the Proprietary and College and University Funds. These inventories are valued at the lower of cost or market (First-In, First-Out) for Proprietary and weighted average for College and University Funds.

Fixed Assets and Depreciation: General fixed assets are reported at cost or estimated historical cost. Donated fixed assets are stated at fair market value at the time of donation. Public domain fixed assets (including highways, bridges, highway land and rights-of-way) are not capitalized. No depreciation is provided on general fixed assets. Land and buildings used by the State System of Higher Education (SSHE), which were acquired or constructed before July 1, 1983, the inception date for the SSHE, are reported in the Commonwealth's General Fixed Assets Account Group. All general fixed assets acquired or constructed by the SSHE subsequent to June 30, 1983 without the use of university funds or incurrence of the SSHE debt are also reported in the Commonwealth's General Fixed Assets Account Group. This accounting treatment is used to conform to the enabling legislation for the SSHE, which includes the vesting of title for the SSHE property.

Fixed assets related to Proprietary and Pension Trust Funds are reported in those funds at cost or estimated historical cost. Depreciation is reported on a straight-line basis over the fixed assets' estimated useful lives. The following lives are used:

Buildings	10-50 years
Improvements other than buildings	5-50 years
Furniture, machinery and equipment	3-25 years

Fixed assets reported by the SSHE are stated at cost. Depreciation is not recorded on the SSHE fixed assets.

NOTE B—Summary of Significant Accounting Policies (continued)

Amounts Available in Commonwealth Funds: The amounts available for retirement of Other General Long-Term Obligations are reported as part of Fund Balance "Designated — Other" at June 30, 1988 as follows (expressed in thousands):

General Fund	
Employe disability claims	$ 71,446
Tort claims	9,753
	81,199
Special Revenue Funds	
Motor License tort claims	7,989
Expendable Trust Funds	
Interest on Federal advances for unemployment compensation	41,321
Workmen's Compensation Security Trust claims	23,134
Catastrophic Loss Trust claims	21,785
	86,240
Total Amounts Available in Commonwealth Funds for Other General Long-Term Obligations	$ 175,428

Insurance Loss Liability: The insurance loss liability represents an estimate of the ultimate net costs of unpaid claims relating to policyholders of the State Workmen's Insurance Fund, an Enterprise Fund. These loss reserves are discounted at a 6% rate.

Self-Insurance: The Commonwealth is uninsured for property losses and self-insured for employe disability and tort claims. Reporting of self-insurance liabilities is described in Note O.

Compensated Absences: Employes accumulate annual leave based on 2% to 10% of regular hours paid to a maximum of 45 days. Employes are paid for accumulated annual leave upon termination or retirement.

Employes accumulate sick leave based on 5% of regular hours paid to a maximum of 200 days. Retiring employes that meet service, age or disability requirements are paid for 30% of their accumulated unused sick leave.

Accumulated annual and sick leave liability payable in subsequent fiscal years from Governmental Funds and Expendable Trust Funds are reported in the General Long-Term Obligations Account Group. Proprietary, Pension Trust, and College and University Funds accrue annual and sick leave in the fiscal year earned.

Pension Costs: The Commonwealth's policy is to fund pension costs incurred and to amortize prior service costs over varying periods not exceeding 30 years.

Encumbrances: Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditures are recorded as a reserve of the applicable appropriation, is employed as an extension of formal budgetary integration in the Commonwealth's accounting system. Encumbrances outstanding at fiscal year end are reported as reservations of fund balance for subsequent year expenditures.

Reserves and Designations: Reserves represent portions of fund balances that are legally segregated for a specific future use or are not appropriable for expenditure.

The amount reserved for advances in the General Fund is applicable to a demand loan to the State Stores Fund, an advance to the State Workmen's Insurance Fund, both Enterprise Funds, and the Motor License Fund, a Special Revenue Fund.

NOTE B—Summary of Significant Accounting Policies (continued)

Reserved retained earnings for Enterprise Funds (expressed in thousands) are provided principally for the retirement of debt relating to the Pennsylvania Turnpike Commission ($660,614), insurance claims relating to the State Workmen's Insurance Fund ($49,521), student loans relating to the Pennsylvania Higher Education Assistance Agency ($37,000), housing loans relating to the Pennsylvania Housing Finance Agency ($67,478) and other items ($1,800).

Designations of unreserved fund balances reflect managerial plans for the future use of financial resources. At June 30, 1988 the Commonwealth has included the following amounts as "Designated — Other" for the General Fund, Special Revenue Funds and Expendable Trust Funds (expressed in thousands):

General Fund	
Employe disability claims	$ 71,446
Tort claims	9,753
	81,199
Tax reform	140,000
Tax stabilization	80,720
Restricted revenue	53,909
Continuing programs	25,822
Group medical and life insurance	5,175
Total General Fund	$ 386,825
Special Revenue Funds	
Land reclamation	$ 12,061
Tort claims	7,989
Economic development	7,780
Solid waste grants	6,220
Energy development	1,694
Senior citizens' programs	912
Other	313
Total Special Revenue Funds	$ 36,969
Expendable Trust Funds	
Interest on Federal advances for unemployment compensation	$ 41,321
Workmen's Compensation Security Trust Claims	23,134
Catastrophic Loss Trust Claims	21,785
Other	517
Total Expendable Trust Funds	$ 86,757

Unreserved/designated — Other in the Capital Projects Funds represents a $4.5 million designation for the General State Authority's property insurance.

Unreserved/undesignated fund balances are available for future appropriation. The unreserved/undesignated deficit of $157,316 in the Capital Projects Funds relates to the Capital Facilities Fund. In total, this fund has a fund balance of $159,677. All other Capital Projects Funds have positive unreserved fund balances.

Intergovernmental Revenues: These amounts represent revenues received principally from the Federal Government.

NOTE B—Summary of Significant Accounting Policies (continued)

Interfund Transactions: The Commonwealth has the following types of transactions among funds:

Statutory Transfers (Operating Transfers) — Legally required transfers that are reported when incurred as "Operating transfers in" by the recipient fund and as "Operating transfers out" by the disbursing fund.

Transfers of Expenditures (Reimbursements) — Reimbursement of expenditures made by one fund for another that are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund.

Residual Equity Transfers — Nonroutine or nonrecurring transfers between funds that are reported as additions to or deductions from the fund equity balance.

Interfund Payments (Quasi-external Transactions) — Charges or collections for services rendered by one fund to another that are recorded as revenues of the recipient fund and expenditures or expenses of the disbursing fund.

The composition of the Commonwealth's interfund receivables and payables at June 30, 1988 is presented in Note H.

Totals—Memorandum Only: The "Totals (Memorandum Only)" columns represent an aggregation of the combined financial statement amounts of the fund types and account groups and are presented only for analytical purposes. These amounts are not comparable to a consolidation and do not represent the total resources available to or used by the Commonwealth.

NOTE C—RESTATEMENTS AND RECLASSIFICATIONS

The beginning fund balance for the Pennsylvania Higher Educational Facilities Authority (PHEFA), a Capital Projects Fund, has been restated to reflect the inclusion of a fund which was previously excluded from the June 30, 1987 financial statements. The July 1, 1987 fund balance in the PHEFA, a Capital Projects Fund, has been increased by $36,204 from $159,698 to $195,902 (amounts in thousands), to reflect the proper treatment of the PHEFA. The effect of this adjustment increases the combined fund balance for all Capital Projects Funds from $308,817, as previously reported at June 30, 1987, to $345,021 (amounts in thousands).

Certain expenditures for the State Lottery Fund, a Special Revenue Fund, primarily related to retailer commissions and retailer-paid prizes aggregating $714 million, were previously excluded from revenue and expenditure amounts reported for the fiscal year ended June 30, 1987. For the fiscal year ended June 30, 1988, the revenues and expenditures for the State Lottery Fund include amounts related to retailer commissions and retailer-paid prizes. This increases both revenues and expenditures by the same amount and has no effect on the fund balance of the State Lottery Fund at June 30, 1987 or 1988.

Certain types of expenditures for the Capital Facilities Fund, the Pennsylvania Higher Educational Facilities Authority and the State Public School Building Authority (Capital Projects Funds) which were reported as capital outlay for the year ended June 30, 1987, have been reported as current expenditures for the fiscal year ended June 30, 1988. This reclassification has been made to more appropriately report expenditures which primarily represent grants and other assistance to local governments and school districts. For the fiscal year ended June 30, 1988, $92 million has been reported in the Pennsylvania Higher Educational Facilities Authority and the State Public School Building Authority for public education and $71 million and $30 million have, respectively, been reported for economic development and assistance and transportation in the Capital Facilities Fund. This reclassification of expenditures has no effect on fund balances for Capital Projects Funds, either individually or in the aggregate, at either June 30, 1987 or 1988.

NOTES TO FINANCIAL STATEMENTS

NOTE D—DEPOSITS AND INVESTMENTS

Authority for Commonwealth deposits and investments: The deposit and investment policies of the Commonwealth's Treasury Department are governed by sections 301.1 and 505 of the Pennsylvania Fiscal Code (Act of 1929, P.L. 343, No. 176, amended November 16, 1985). Commonwealth deposits must be held in insured depositories approved by the Board of Finance and Revenue and must be fully collateralized. Permissible investments include direct obligations of the U.S. Treasury and U.S. Government agencies with maturities not exceeding two years; commercial paper rated "Prime One" by Moody's Credit Service or the equivalent by Standard and Poor's or Fitch's Rating Service; certificates of deposit issued by Pennsylvania banks or savings and loan associations; repurchase agreements secured by U.S. Government obligations that are held by the Treasury Department at the Federal Reserve bank; banker's acceptances; and up to a maximum of 10% of the book value of a fund's assets in any investment (other than common stock) not otherwise specifically authorized. It is also permissible for the Treasury Department to participate in reverse repurchase agreements.

In some cases, deposit and investment policies of certain individual funds and component units are established by statutes other than the Fiscal Code; however, all deposits, investments and reverse repurchase agreements of Commonwealth component units are specifically authorized by law.

In accordance with applicable statutory authority, the State Employes' Retirement System and the Public School Employes' Retirement System, Pension Trust Funds, have invested in common and preferred stocks, corporate and foreign bonds and notes, mortgages and real estate during their fiscal years.

Deposits: The following summary presents the amount of Commonwealth deposits which are fully insured or collateralized with securities held by the Commonwealth or its agent in the Commonwealth's name (Category 1), those deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the Commonwealth's name (Category 2) and those deposits which are not collaterized or are collaterized by the pledging financial institution or the pledging institution's trust or agent, but not in the Commonwealth's name (Category 3) at June 30, 1988 (expressed in thousands).

	Category 1	Category 2	Category 3	Total Bank Balance	Carrying Amount
Cash	$ 138,958	$137,257	$17,963	$ 294,178	$ 138,725
Cash with fiscal agents	1,137,315		49,629	1,186,944	1,186,944

Investments: The Commonwealth categorizes investments according to the level of credit risk assumed by the Commonwealth. Category 1 includes investments that are insured, registered or held by the Commonwealth or the Commonwealth's agent in the Commonwealth's name. Category 2 includes uninsured and unregistered investments held by the counterparty's trust department or agent in the Commonwealth's name. Category 3 includes uninsured and unregistered investments held by the counterparty, its trust department or its agent, but not in the Commonwealth's name. Certain investments have not been categorized because securities are not used as evidence of the investment. These uncategorized investments include ownership interests in mutual funds and mortgage, real estate and venture capital pools. The summary below identifies the level of credit risk assumed by the Commonwealth and the total carrying amount and market value of Commonwealth investments at June 30, 1988 (expressed in thousands).

NOTE D—Deposits and Investments (continued)

	Carrying Amount				
	Category 1	Category 2	Category 3	Total	Market Value
Bankers' acceptances	$ 69,827	$. . . .	$. . . .	$ 69,827	$ 69,804
Commercial paper	2,046,867	. . . .	4,821	2,051,688	2,051,170
Common and preferred stock	5,456,695	. . . .	838	5,457,533	5,940,242
Corporate bonds and notes	2,340,387	56,762	82,931	2,480,080	2,455,793
Money market and related investments	216,715	74,624	54,779	346,118	346,717
Mortgage loans	1,105,509	. . . .	. . . .	1,105,509	1,074,950
Real estate	676,095	. . . .	. . . .	676,095	738,195
Repurchase agreements	1,031,150	449,179	9,483	1,489,812	1,489,812
U.S. Government obligations	5,282,262	656,034	49,288	5,987,584	6,020,581
U.S. Government agency obligations	1,333,547	66,636	. . . .	1,400,183	1,398,338
Other	37,026	. . . .	63,090	100,116	100,092
Totals	$19,596,080	$ 1,303,235	$ 265,230	$21,164,545	$21,685,694
Add invested amounts not susceptible to credit risk categorization:					
Investment in Treasury pool at December 31, 1987 for State Employes' Retirement System and State Workmen's Insurance Fund				516,550	516,550
Investment pools in which State Employes' Retirement System participates at December 31, 1987:					
Investment agreements				1,184,146	1,184,146
Mortgage loans				489,033	489,033
Mutual funds				1,459,984	1,459,984
Real estate				421,293	421,293
Venture capital				61,272	61,272
Venture capital pool in which the Public School Employes' Retirement System participates at June 30, 1988				48,995	48,995
Investment agreement in which the Pennsylvania Higher Educational Facilities Authority participates at June 30, 1988				87,636	87,636
Mutual fund shares owned by the Pennsylvania Housing Finance Agency at June 30, 1988				4,056	4,056
Investment agreements in which the Pennsylvania Higher Education Assistance Agency participates at June 30, 1988				99,211	99,211
Total Investments				$25,536,721	$26,057,870

The Pension Trust Funds own approximately 100 percent of the common and preferred stock, 78 percent of the corporate bonds and notes, 99 percent of mortgage loans and 100 percent of the real estate reported in the above summary. During the fiscal year ended June 30, 1988 the Treasury Department entered into reverse repurchase agreements, but none were outstanding at June 30, 1988. There were no violations of statutory authority or contractual provisions for investments during the year ended June 30, 1988.

NOTES TO FINANCIAL STATEMENTS

NOTE E—FIXED ASSETS

A summary of fixed assets by category at June 30, 1988 is as follows (expressed in thousands):

	Enterprise	Internal Service	Pension Trust	General Fixed Assets Account Group	College and University
Land	$ 39,239	$ 6	$	$ 201,107	$ 1,995
Buildings	53,585	2,445	....	1,923,507	55,407
Improvements other than buildings	1,088,943	179	....	138,236	6,229
Furniture, machinery and equipment	72,724	34,282	5,469	380,973	215,653
Construction in progress	96,610	....	....	124,642	11,689
Total	$1,351,101	$ 36,912	$ 5,469	$ 2,768,465	$ 290,973

Changes in general fixed assets for the fiscal year ended June 30, 1988 are as follows (expressed in thousands):

	Balance July 1, 1987	Additions	Retirements	Balance June 30, 1988
Land	$ 201,223	$ 221	$ 337	$ 201,107
Buildings	1,855,909	95,915	28,317	1,923,507
Improvements other than buildings	120,191	19,239	1,194	138,236
Furniture, machinery and equipment	372,339	54,335	45,701	380,973
	2,549,662	169,710	75,549	2,643,823
Construction in progress	132,056	90,371	97,785	124,642
Totals	$2,681,718	$ 260,081	$ 173,334	$2,768,465

Interest costs of $11 million and $46.6 million were capitalized for Enterprise Funds and general fixed assets, respectively, for the fiscal year ended June 30, 1988.

The Commonwealth's initial valuation of general fixed assets was made as of June 30, 1986 using appraisal and historical cost reconstruction techniques. Subsequent to June 30, 1986 general fixed asset acquisitions are valued at cost. At June 30, 1988 the amount of general fixed assets related to the initial valuation amounts to $2,169 million.

Construction in progress included in the General Fixed Assets Account Group at June 30, 1988 is composed of the following (expressed in thousands):

Project	Project Authorization	Expended Through June 30, 1988	Authorization Available
Department of Corrections Institutions	$ 228,813	$ 79,963	$ 148,850
Department of Public Welfare Institutions	68,898	8,055	60,843
Colleges and Universities	61,574	17,529	44,045
Capitol Complex	84,856	9,959	74,897
Other	49,589	9,136	40,453
Total	$ 493,730	$ 124,642	$ 369,088

NOTE F—DUE FROM OTHER GOVERNMENTS

This receivable represents amounts due primarily from the Federal Government for various departmental programs.

NOTES TO FINANCIAL STATEMENTS

NOTE G — TAXES, NOTES AND LOANS AND LEASE RENTAL RECEIVABLES

Taxes Receivable: Taxes receivable at June 30, 1988 consisted of the following (expressed in thousands):

	General	Special Revenue	Trust and Agency	Total
Sales and use taxes	$ 364,879	$	$	$ 364,879
Unemployment compensation taxes	. . . .	. . . .	351,476	351,476
Liquid fuel taxes	. . . .	82,688	3,600	86,288
Personal income taxes	69,808	. . . .	. . . .	69,808
Corporation taxes	51,715	. . . .	. . . .	51,715
Other taxes	17,285	46,908	. . . .	64,193
	$ 503,687	$ 129,596	$ 355,076	$ 988,359

Loans Receivable: Notes and loans receivable at June 30, 1988 consisted of the following (expressed in thousands):

	Special Revenue	Enterprise	College and University	Total
Mortgage loan program	$	$1,262,282	$	$1,262,282
Business development loan program	8,228	449,571	. . . .	457,799
Student loan program	. . . .	382,814	21,714	404,528
Municipal water system loan program	53,933	64	. . . .	53,997
Nursing home loan program	36,767	. . . .	. . . .	36,767
Other loan programs	. . . .	36,538	. . . .	36,538
	98,928	2,131,269	21,714	2,251,911
Less: Allowance for uncollectible accounts	575	46,221	3,557	50,353
Loans receivable, net	$ 98,353	$2,085,048	$ 18,157	$2,201,558

Lease Rentals Receivable: The Pennsylvania Higher Educational Facilities Authority and State Public School Building Authority finance construction projects for educational institutions through the issuance of bonds and other obligations, the principal and interest of which are paid through the collection of lease rental payments related to the projects. The General State Authority and the Capital Facilities Fund, Capital Projects Funds, also finance construction projects for educational institutions through the issuance of General Obligation Bonds, the principal and interest of which are paid through the collection of lease rental payments and deposited in their related debt service funds. At the conclusion of the lease terms, the project facilities are conveyed to the educational institutions. Accordingly, these lease arrangements are classified as direct financing leases. Lease rental receivables and associated deferred revenue equal to the principal lease payments to be received are recorded in the Special Revenue and Debt Service Funds relating to these arrangements. The total minimum lease payments to be received was $2,499 million and the present value of the lease payments was $1,207 million at June 30, 1988, the difference representing interest of $1,292 million. Minimum lease payments for the five fiscal years succeeding June 30, 1988 are as follows (expressed in millions):

Fiscal Year Ending June 30	Amount
1989	$166
1990	145
1991	142
1992	133
1993	130

NOTE H—INTERFUND ACCOUNTS/OPERATING TRANSFERS/RESIDUAL EQUITY TRANSFERS/ADVANCES

The amounts shown as interfund accounts for the State Employes' Retirement System, a Pension Trust Fund, are as of its fiscal year end of December 31, 1987. The amounts shown for the State Workmen's Insurance Fund and Pennsylvania Turnpike Commission, Enterprise Funds, are as of their respective fiscal year ends of December 31, 1987 and May 31, 1988. The following presents a reconciliation of interfund accounts at June 30, 1988 (expressed in thousands):

Due from other funds - combined balance sheet at June 30, 1988	$365,885
State Workmen's Insurance Fund decrease in receivables from January 1, 1988 through June 30, 1988	(160)
State Employes' Retirement System increase in receivables from January 1, 1988 through June 30, 1988	9,995
DUE FROM OTHER FUNDS AT JUNE 30, 1988	$375,720
Due to other funds - combined balance sheet at June 30, 1988	$375,793
State Employes' Retirement System increase in payables from January 1, 1988 through June 30, 1988	251
State Workmen's Insurance Fund increase in payables from January 1, 1988 through June 30, 1988	114
Pennsylvania Turnpike Commission decrease in payables from June 1, 1988 through June 30, 1988	(438)
DUE TO OTHER FUNDS AT JUNE 30, 1988	$375,720

NOTE H—Interfund Accounts/Operating Transfers/Residual Equity Transfers/Advances (continued)

A summary of interfund receivables and payables at June 30, 1988 is as follows (expressed in thousands):

FUND TYPE/FUND	DUE FROM	DUE TO
General	$ 32,467	$193,185
Special Revenue:		
Water Facilities Loan Fund	....	63,195
Motor License Fund	9,687	15,123
Other Funds	4,992	15,554
	14,679	93,872
Debt Service	1,222	1
Capital Projects:		
Capital Facilities Fund	....	8,567
Other Funds	....	219
	....	8,786
Enterprise:		
State Stores Fund	....	15,374
Pennsylvania Infrastructure Investment Authority	62,295	....
Other Funds	874	3,118
	63,169	18,492
Internal Service:		
Purchasing Fund	7,264	7,839
Manufacturing Fund	1,330	149
	8,594	7,988
Expendable Trust:		
Unemployment Compensation Fund	1,879	....
Other Funds	1	16
	1,880	16
Pension Trust:		
State Employes' Retirement System	100,028	533
Public School Employes' Retirement System	116,910	7,480
	216,938	8,013
Agency	291	374
College and University	36,480	44,993
TOTAL	$375,720	$375,720

Total operating transfers are for the year ended June 30, 1988, except for the State Employes' Retirement System (SERS), a Pension Trust Fund, whose transfers are for its year ended December 31, 1987. The reconciling amount of net transfers in for SERS during the period January 1, 1987 to June 30, 1987 and January 1, 1988 to June 30, 1988 amounted to approximately $8.3 million.

The Enterprise Funds received $109.4 million in residual equity transfers and $5.2 million in donated assets that were reported as contributed capital for the fiscal year ended June 30, 1988.

Advances to other funds, amounting to $70.2 million, differs from advances from other funds, with a total of $69.5 million, by $.7 million. This variance is caused by a transfer made from the General Fund to the State Workmen's Insurance Fund (SWIF), an Enterprise Fund, in May 1988. Advances from other funds reported by SWIF at SWIF's December 31, 1987 fiscal year end, do not include this advance from the General Fund.

NOTES TO FINANCIAL STATEMENTS

NOTE I—PENSION SYSTEMS AND OBLIGATIONS

The Commonwealth has contributory defined benefit pension plans covering substantially all state employes, public school employes and employes of certain other state-related organizations. State employes and employes of state-related organizations are members of the State Employes' Retirement System (SERS). Public school employes are members of the Public School Employes' Retirement System (PSERS).

The SERS follows the accounting and reporting requirements of the Financial Accounting Standards Board's (FASB) Statement 35 and the PSERS follows the National Council on Governmental Accounting's Statement 1. Both the SERS and the PSERS currently follow the disclosure requirements of the Governmental Accounting Standards Board's (GASB) Statement 5, "Disclosure of Pension Information by Public Employee Retirement Systems and State and Local Governmental Employers". FASB Statement 35 provides authoritative guidance on accounting and financial reporting for defined benefit public employe retirement systems and GASB Statement 5 provides disclosure guidance. The following summaries present disclosure requirements for both the SERS and the PSERS for their fiscal years ended December 31, 1987 and June 30, 1988, respectively.

Since the SERS reports under the provisions of FASB Statement 35, a statement of changes in financial position is not presented for the SERS.

STATE EMPLOYES' RETIREMENT SYSTEM

Plan Description: The State Employes' Retirement System (System) is the administrator of a cost-sharing multiple-employer retirement system established by the Commonwealth of Pennsylvania (Commonwealth) to provide pension benefits for employes of state government and certain independent agencies. At December 31, 1987 there were 107 participating state and independent agencies. For the year ended December 31, 1987 the System's covered payroll was $2,663 million. For the same period, the covered payroll for agencies included in the Commonwealth's financial reporting entity was $2,342 million, or 94 percent of total payroll of $2,497 for the Commonwealth's financial reporting entity.

Membership in the System is mandatory for most state employes, members and employes of the legislature and certain elected persons in the executive branch. Certain other employes are not required but are given the option to participate. At December 31, 1987 the System membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employes entitled to benefits, but not yet receiving benefits	72,386
Current employes:	
Vested	64,996
Nonvested	44,503
Total members	181,885

The System provides retirement, death, and disability benefits. Retirement benefits vest after 10 years of credited service. Employes who retire at age 60 or, if under age 60 with 35 years of service, are entitled to an unreduced annual retirement benefit. Members of the legislature and certain law enforcement officers can retire with full benefits at age 50.

The general annual benefit is 2 percent of the member's high-three year average salary times years of service. Members of the legislature who were members of the System before March 1, 1974 are entitled to a benefit of 7.5 percent of average salary for each year of legislative service. Judges who were members of the System before March 1, 1974 are entitled to a benefit of 3 to 4 percent of average salary for each year of judicial service.

Covered employes are required by statute to contribute to the System at a rate of 5 percent of their gross pay except for employes hired on or after July 22, 1983 who contribute at a rate of 6.25 percent of their gross pay. Increased contributions are required of the previously noted legislators and judges (18.75 percent and 7.5 to 10 percent of gross pay, respectively) who are entitled to increased benefits. The contributions are recorded in an individually identified account which is also credited with interest, calculated quarterly to yield 4 percent per annum, as mandated by statute. Accumulated employe contributions and credited interest, which amounted to $1,491 million as of December 31, 1987, vest immediately and are returned upon termination of service if the employe is not eligible for other benefits.

NOTE I—Pension Systems and Obligations (continued)

Participating agency contributions are also mandated by statute and are based upon an actuarially determined percentage of gross pay that is necessary to provide the System with assets sufficient to meet the benefits to be paid to System members. According to the retirement code, all obligations of the System will be assumed by the Commonwealth should the System terminate.

At December 31, 1987 the System owned 26,311,421 units of the Wells Fargo Bank Equity Index Fund, with a carrying amount of $1,181 million. This investment represents approximately 16 percent of the System's net assets at December 31, 1987. The System owned no securities issued by the Commonwealth or related parties and made no loans to the Commonwealth or related parties during the year ended December 31, 1987.

Funding Status and Progress: The amount shown as "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employe service to date. The measure is the actuarial present value of credited projected benefits and is intended, on an ongoing basis, to facilitate the assessment of System funding status and progress made in accumulating sufficient assets to pay benefits when due and to allow for appropriate comparisons of this data among public employe retirement systems. The measure is independent of the actuarial funding method used to determine contributions to the System as discussed below.

The pension benefit obligation was determined as part of an actuarial valuation at December 31, 1987. Significant actuarial assumptions used include (a) a rate of return on the investment of present and future assets of 8.75 percent per year compounded annually, (b) projected salary increases of 4 percent per year compounded annually, attributable to inflation, (c) additional projected salary increases of 1.6 percent per year, attributable to merit/promotion, and (d) no postretirement benefit increases.

The unfunded pension benefit obligation at December 31, 1987 totalled $17.3 million as calculated below (expressed in thousands):

Pension benefit obligation:	
Retirees and beneficiaries currently receiving benefits and terminated employes entitled to benefits but not yet receiving benefits	$2,980,107
Current employes:	
Accumulated employe contributions including allocated investment income	1,491,286
Employer-financed vested	2,612,733
Employer-financed nonvested	300,181
Total pension benefit obligation	7,384,307
Net assets available for benefits (at market value)	7,367,042
Unfunded pension benefit obligation	$ 17,265

Contributions: The System funding policy provides for periodic member contributions at statutory rates and employer contributions at actuarially determined rates (expressed as a percentage of annual gross pay) that are sufficient to accumulate assets to pay benefits when due. All required 1987 contributions were made.

NOTE I—Pension Systems and Obligations (continued)

Employer contribution rates are determined using the entry age normal actuarial cost method, with amortization of the unfunded actuarial liability ($1,989 million) and of the supplemental annuities arising from cost of living and other adjustments over varying periods ending June 30, 2004. These rates are computed on a Commonwealth fiscal year basis such that employer contribution rates in effect for the System for 1987 reflect a blended average of those in effect through June 30, 1987 and subsequent to that date, as calculated based upon actuarial valuations prepared as of December 31, 1985 and December 31, 1986, respectively. The actuarially determined contribution requirement for the year ended December 31, 1987 consisted of (amounts in thousands):

	% of Current Covered Payroll	Amount
Employer normal cost	4.03	$107,322
Amortization of unfunded actuarial accrued liability	7.35	195,736
Amortization of supplemental annuities	1.71	45,539
Total contribution requirement	13.09	$348,597

Member contributions amounted to $147 million, or 5.5 percent of total actual covered payroll of $2,663 million, and employer contributions amounted to $366 million, or 13.8 percent, of total actual covered payroll of $2,663 million, for the year ended December 31, 1987. Total employer contributions of $366 million exceeded the above actuarially determined contribution requirement of $349 million due to employer contributions related to employe purchases of prior service cost and employer contibutions related to the transfer of prior employe service from the Public School Employes' Retirement System to this System. Employer contributions amounted to $374 million for the fiscal year ended June 30, 1988, of which $322 million relates to agencies included in the Commonwealth's financial reporting entity. The Commonwealth employer contributions of $322 million approximate 86 percent of total employer contributions of $374 million.

Significant actuarial assumptions used to compute contribution requirements are the same as those used to compute the pension benefit obligation as described above, except for an assumed rate of return on investments of 5.5 percent per annum and certain revisions to salary increase assumptions.

THREE-YEAR HISTORICAL TREND INFORMATION

	Year Ended December 31		
	1985	1986	1987
Net assets available for benefits as a percentage of the pension benefit obligation applicable to covered employes	93.8%	101.9%	99.8%
Unfunded (assets in excess of) pension benefit obligation as a percentage of the System's annual covered payroll	16.8	(5.4)	.6
Employer contributions to the pension plan as a percentage of annual covered payroll	19.0	16.2	13.8

All required contributions were made, in accordance with actuarially determined requirements, for each of the three years ended December 31, 1985, 1986 and 1987.

Ten-year historical trend information is available in separate financial reports issued by the System. These separately issued reports include information about progress made in accumulating sufficient assets to pay benefits when due.

NOTE I—Pension Systems and Obligations (continued)

The following information is presented in accordance with the reporting requirements of FASB Statement 35.

The calculation of actuarial liabilities under GASB Statement 5 (the pension benefit obligation presented above) differs principally by the consideration of future salary increases from the calculation required under FASB Statement 35 of the actuarial present value of accumulated plan benefits presented below.

The accumulated plan benefit information as of December 31, 1987 is as follows (expressed in thousands):

Actuarial present value of accumulated plan benefits:	
Vested benefits:	
Participants currently receiving payments	$3,118,766
Other participants	3,401,188
	6,519,954
Nonvested benefits	234,305
Total	$6,754,259

Changes in accumulated plan benefits as of December 31, 1987 are as follows (expressed in thousands):

Actuarial present value of accumulated plan benefits at December 31, 1986	$6,614,165
Changes during the year attributable to:	
Benefits accumulated, net of benefits paid	539,465
Change in interest rate from 7.0% in 1986 to 7.75% in 1987	(399,371)
Net increase	140,094
Actuarial present value of accumulated plan benefits at December 31, 1987	$6,754,259

The significant actuarial assumptions used in the valuations of the actuarial present value of accumulated plan benefits as of December 31, 1987 are as follows:

Mortality	Superannuation (normal retirement) and early retirement: The 1971 Group Annuity Mortality Table
Disability	Modifications of the 1965 Railroad Retirement Board Mortality among Totally Disabled Annuitants
Assumed rate of return on investments	7.75%

PUBLIC SCHOOL EMPLOYES' RETIREMENT SYSTEM

Plan Description: The Commonwealth of Pennsylvania Public School Employes' Retirement System (System) was established as of July 18, 1917 under the provision of P.L. 1043, No. 343. The System is a cost-sharing muitiple-employer plan and its designated purpose is to provide retirement allowances and other benefits, including disability and death benefits, to members. As defined by GASB Statement 5, the Commonwealth is a non-employer contributor to the System.

Membership in the System is mandatory for substantially all full-time public school employes in the Commonwealth. At June 30, 1988 there were 632 reporting units, generally school districts, and membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employes entitled to benefits, but not yet receiving benefits	114,000
Current employes:	
Vested	119,000
Nonvested	77,000
Total members	310,000

NOTE I—Pension Systems and Obligations (continued)

During the fiscal year ended June 30, 1987 the covered payroll for public school employes was $4,415 million. Total payroll for public school employes was substantially the same.

Benefit provisions are established under Act 96 of 1975. After completion of ten years of service, a member's rights to the defined benefit is vested and early retirement benefits may be elected. Members are eligible for full monthly retirement benefits upon reaching (a) age 62; (b) age 60 and 30 or more years of service; or (c) 35 or more years of service. Act 91, enacted for a period of one year from July 1, 1986 to June 30, 1987 (and extended through June 30, 1989 by Act 69), permits school employes with at least 30 years of credited service to retire without a reduction in benefits. This law does not require a minimum age in conjunction with length of service to be eligible for full benefits. During the fiscal year ended June 30, 1988 there were no changes in benefit provisions.

Funding Status and Progress: The amount shown as "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employe service to date. The measure is the actuarial present value of credited projected benefits and is intended to help users assess the System's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among public employe retirement systems. The measure is independent of the actuarial funding method used to determine contributions to the System.

The pension benefit obligation was determined as part of an actuarial valuation at June 30, 1987, the most recent actuarial report. Significant actuarial assumptions used include (a) a rate of return on the investment of present and future assets of 5.50 percent per year compounded annually, (b) projected salary increases ranging from 6.99 percent per year at age 25 to 1.89 percent per year at age 69, and (c) no postretirement benefit increases.

At June 30, 1987 the unfunded pension benefit obligation was $5,325 million as follows (expressed in thousands):

Pension benefit obligation:	
Annuitants and survivor annuitants currently receiving benefits, and terminated members not yet receiving benefits	$ 5,756,400
Current members:	
Accumulated member contributions with interest	2,652,100
System-financed vested	4,672,900
System-financed nonvested	3,284,700
Total pension benefit obligation	16,366,100
Net assets available for benefits, at cost (market value is $12,113,200)	11,041,400
Unfunded pension benefit obligation	$ 5,324,700

Ten-year historical trend information is available in separate financial reports issued by the System. These separately issued reports include information about progress made in accumulating sufficient assets to pay benefits when due.

NOTE I—Pension Systems and Obligations (continued)

Contributions: The contribution policy is set by Act 96 and requires contributions by active members, employers and the Commonwealth. The rate of contribution for most active members is set by law at 5.25 percent of the member's compensation. For members joining the system on or after July 22, 1983 the rate of contribution is 6.25 percent. The contributions required of employers and the Commonwealth are based upon an actuarial valuation, using the "entry age normal" method, computed as a percentage of the total compensation of all active members during the period for which the amount is determined. The combined amounts required from the employers and Commonwealth were 19.54 percent of active member payroll for the year ended June 30, 1988 and consisted of (amounts in thousands):

	% of Current Covered Payroll	Amount
Employer normal cost	8.72	$416,156
Amortization of unfunded actuarial accrued liability	7.38	352,205
Amortization of supplemental annuities	3.44	164,171
Total contribution requirement	19.54	$932,532

The employer and the Commonwealth share such cost equally and all required contributions were made. For the fiscal year ended June 30, 1988 Commonwealth school districts contributed $467 million and the Commonwealth contributed $466 million to the System. The difference between these two amounts results from timing differences in cash payments to the System. The Commonwealth contribution approximates 10 percent of current covered payroll. Employe contributions of $250 million approximate 5.7 percent of covered payroll of $4,415 million for the year ended June 30, 1987, the most recent year for which actual amounts are available. At June 30, 1987 the unfunded actuarial liability is $6,370 million and the average funding period to amortize this liability is 17.7 years.

During the fiscal year ended June 30, 1987 there were no changes in the actuarial funding method or other significant factors in calculating employe or employer contributions. There were no changes in actuarial assumptions which affected the pension benefit obligation or the unfunded actuarial liability at June 30, 1987.

During the fiscal year ended June 30, 1988, the PSERS owned no securities issued by school districts, the Commonwealth or any related parties and made no loans to school districts, the Commonwealth or any related party.

Postretirement Health Care Benefits: In addition to providing pension benefits, the Commonwealth provides certain health care benefits for retired employes that meet specified length-of-service and age requirements. These benefits are provided through insurance companies whose premiums are based on the benefits paid during the fiscal year. The Commonwealth recognizes the cost of providing these benefits as paid, which totalled $73.9 million for the fiscal year ended June 30, 1988.

NOTE J—NOTES AND DEMAND REVENUE BONDS PAYABLE

The Pennsylvania Housing Finance Agency (PHFA), an Enterprise Fund, issued various notes for construction financing which are secured by the full faith and credit of the PHFA, the underlying construction mortgages, the undisbursed note proceeds and all funds received in repayment of construction advances. As of June 30, 1988 PHFA has notes payable outstanding of $2 million at an interest rate of 7 percent.

The State System of Higher Education, College and University Funds, has $3.7 million of notes payable as of June 30, 1988 that are collateralized by an equivalent amount of equipment. The notes bear interest at rates ranging from 5% to 9.6% and mature in varying amounts through 1993. The scheduled principal payments for the notes outstanding at June 30, 1988 follow (expressed in thousands):

1989	$ 1,542
1990	1,401
1991	443
1992	159
1993	195
Total	$ 3,740

The Pennsylvania Higher Education Assistance Agency (PHEAA), an Enterprise Fund, has $200 million of demand revenue bonds outstanding at June 30, 1988 as follows (dollars expressed in thousands):

	Student Loan Adjustable Rate Tender Revenue Bonds 1988 Series A	Student Loan Revenue Bonds 1984 Series A
Amount issued	$100,000	$100,000
Date issued	1/28/88	7/19/84
Interest rate	5.35%	5.2%
Date due	1/1/18	12/1/00
Letter of credit:		
Principal amount	$106,904	$103,082
Fee 1987-88	$ 164	$ 774
Expiration date	1/31/93	12/15/00
Agency	Fuji Bank, Limited	Student Loan Marketing Association

NOTE J—Notes and Demand Revenue Bonds Payable (continued)

The 1984 bonds bear interest at a fluctuating rate based on the remarketing rate of the J.J. Kenny Index and is reset weekly. The 1988 bonds bear interest at an adjustable rate determined by the PHEAA's Remarketing Agent based upon prevailing market conditions and is also reset weekly. The 1984 bonds and the 1988 bonds are subject to purchase, at par plus accrued interest, by the PHEAA on the demand of the bondholders upon seven days prior irrevocable written notice. The letter of credit for the 1984 bonds may be used to pay principal and interest due on bonds tendered by the bondholders. The PHEAA has agreed to reimburse the Student Loan Marketing Association (SLMA) within 180 days for any amount paid by the SLMA under the letter of credit. The letter of credit for the 1988 bonds may be used to pay principal and interest on bonds outstanding, redeemed, or tendered by the bondholder. The terms of the letter of credit require repayment on demand. Neither letter of credit has been used as of June 30, 1988.

During the fiscal year ended June 30, 1988 the Commonwealth issued $550 million of Tax Anticipation Notes and $150 million in Commercial Paper which matured on June 30, 1988. The $28.2 million of interest related to the notes and commerical paper is shown as an expenditure in the General Fund.

NOTES TO FINANCIAL STATEMENTS

NOTE K—LONG-TERM OBLIGATIONS

Long-term obligations of the Commonwealth at June 30, 1988 (May 31, 1988 for the Pennsylvania Turnpike Commission) and changes for the fiscal year then ended are as follows (expressed in thousands):

	Issue Dates	Interest Rates	Maturity Dates Through	Bonds Authorized But Unissued	Balance July 1, 1987	Additions	Reductions	Balance June 30, 1988
ENTERPRISE FUNDS								
Revenue Bonds Payable From User Charges:								
Pennsylvania Higher Education Assistance Agency	1986-88	5.50- 6.37%	2016	$	$ 50,000	$ 202,000	$	$ 252,000
Pennsylvania Housing Finance Agency	1976-88	3.60-14.50%	2028		1,645,241	263,781	240,180	1,668,842
Pennsylvania Industrial Development Authority	1975-84	4.90-12.50%	2004		120,290		8,525	111,765
Pennsylvania Turnpike Commission	1986	5.00-7.87%	2017		807,605		3,225	804,380
					2,623,136	465,781	251,930	2,836,987
Less: Bond discounts					83,260	2,554	4,187	81,627
TOTAL ENTERPRISE FUNDS				$	$2,539,876	$ 463,227	$ 247,743	$2,755,360
GENERAL LONG-TERM OBLIGATIONS ACCOUNT GROUP								
General Obligation Bonds Payable From Tax Revenues:								
Capital Facilities	1968-88	4.15-10.75%	2008	$4,391,297	$3,370,015	$ 453,000	$ 213,450	$3,609,565
Disaster Relief	1973-85	4.91- 8.56%	2004	24,708	107,075		6,350	100,725
Land and Water Development	1969-87	5.13-10.75%	2007	23,000	313,705	2,000	18,795	296,910
Nursing Home Loan Development	1975-86	5.30- 8.89%	2006	31,000	48,060		3,550	44,510
Project 70 Land Acquisition	1970	6.26%	2000		6,880		340	6,540
Volunteer Companies Loan	1977-83	5.32-10.75%	2002		18,855		1,290	17,565
Vietnam Conflict Veterans Compensation	1969-74	5.36- 6.11%	2003	3,000	39,985		2,220	37,765
Water Facilities Loan	1983-88	6.91- 9.83%	2008	166,000	105,440	12,000	6,345	111,095
Pennsylvania Economic Revitalization	1984-85	7.69- 8.86%	2004	117,000	55,910		8,200	47,710
General State Authority	1961-68	3.20- 4.70%	1997		185,667		39,439	146,228
State Highway and Bridge Authority	1966-68	2.00- 4.60%	1991		83,155		23,665	59,490
State Public School Building Authority	1968	5.06%	1988		1,265		890	375
Refunding Bonds	1985-87	6.70- 7.85%	2003		222,827		2,660	220,167
				4,756,005	4,558,839	467,000	327,194	4,698,645
Revenue Bonds Payable From Lease Rentals:								
Pennsylvania Higher Educational Facilities Authority	1969-88	5.50- 9.00%	2025		1,099,485	108,970	154,663	1,053,792
State Public School Building Authority	1986-88	5.00- 8.91%	2024		259,515	17,785	39,910	237,390
					1,359,000	126,755	194,573	1,291,182
Other General Long-Term Obligations Payable From Tax Revenues:								
Capital Lease and Installment Purchase Obligations					134,459	40,615	12,816	162,258
Self-Insurance — Note O					476,361	29,803	49,870	456,294
Compensated Absences					201,693	190,302	172,543	219,452
Catastrophic Motor Vehicle Losses					264,046	34,032	27,744	270,334
Other					294,084	249,989	244,444	299,629
					1,370,643	544,741	507,417	1,407,967
TOTAL GENERAL LONG-TERM OBLIGATIONS ACCOUNT GROUP				$4,756,005	$7,288,482	$1,138,496	$1,029,184	$7,397,794

NOTE K—Long-Term Obligations (continued)

The Pennsylvania Housing Finance Agency (PHFA), the Pennsylvania Higher Education Assistance Agency (PHEAA), the Pennsylvania Industrial Development Authority, and the Pennsylvania Turnpike Commission (PTC), Enterprise Funds, have pledged all of their revenues for the redemption of revenue bonds outstanding. Revenue bonds outstanding as reported in this note disclosure for the fiscal year ended June 30, 1988 (May 31, 1988 for the PTC) include bond discounts of $81.6 million. PHFA has bank letters of credit securing a certain bond issue, which expire in the year 2000 and approximate $2 million.

On September 26, 1985, PHEAA issued Student Loan Adjustable Rate Tender Revenue Refunding Bonds, 1985 Series A (1985 Bonds) in the amount of $202 million. On December 15, 1986, PHEAA issued Student Loan Adjustable Rate Tender Revenue Bonds, 1986 Series A (1986 Bonds) in the amount of $50 million. The 1985 and 1986 Bonds bear interest rates of 6.375 percent and 5.5 percent through June 1, 1991 and October 1, 1989, respectively. After these dates, the bonds will bear interest at an adjustable rate as determined by PHEAA and its remarketing agent based upon prevailing market conditions. After June 1, 1991 and October 1, 1989, respectively, the bonds are subject to purchase at par plus accrued interest, by PHEAA on the demand of the bondholders upon seven days prior irrevocable written notice.

The Commonwealth has pledged its full faith and credit for the payment of principal and interest on general obligation bonds accounted for in the General Long-Term Obligations Account Group.

The Pennsylvania Higher Educational Facilities Authority and the State Public School Building Authority have revenue bonds outstanding, reported as General Long-Term Obligations, as of June 30, 1988, which are payable from the lease rentals of the projects financed. The lease rentals are pledged as collateral for the revenue bonds outstanding.

The Commonwealth of Pennsylvania by enactment of the General Assembly created the Pennsylvania Energy Development Authority (PEDA) to finance projects related to energy conservation and research. Fees are assessed to recover related processing and application costs incurred. The bonds issued by the Authority represent limited obligations payable solely from payments made by the borrowing entities. The majority of the bonds are secured by the property financed. Upon repayment of a bond, ownership of acquired property transfers from the trustee to the entity served by the bond issuance. The PEDA has $162.3 million in revenue bonds outstanding at June 30, 1988. The Commonwealth has no obligation for this debt. Accordingly, neither the financed assets nor the bonds are included in the accompanying financial statements.

The Commonwealth uses fiscal agents to process payments for the servicing of the majority of its bond issues. Additional cash with fiscal agents is held by the Federal Government for unemployment compensation claims. Matured debt principal and interest payable in excess of cash with fiscal agents in the Debt Service Fund represents the accrual of debt service expenditures applicable to resources which have been provided for debt service payments early in the subsequent fiscal year.

Included in "Other" for Other General Long-Term Obligations payable from Tax Revenues are the following (expressed in thousands):

Litigation — Note P	$143,100
Public Utility Realty Tax Act (PURTA)	92,074
Unemployment Compensation Interest	41,321
Workmen's Compensation Security Trust Claims	23,134
	$299,629

The PURTA provides for a tax on utility realty property which is available for appropriation as a general revenue source. The Act also provides for payment of a tax distribution to local taxing authorities. The Workmen's Compensation Security Trust Fund provides for payment of valid claims under the Workmen's Compensation Law to individuals whose employments are insured by insolvent insurance carriers. The long-term obligation for these claims is reported as a designation of unreserved fund balance in the Workmen's Compensation Security Trust Fund. Interest payable to the Federal government is reported as a designation of unreserved fund balance in the Unemployment Compensation Fund. This long-term obligation represents the interest portion of funds borrowed from the Federal government for payment of unemployment compensation benefits under the Unemployment Compensation Law. Amounts included in the General Long-Term Obligations Account Group at June 30, 1988 relating to the PURTA, Workmen's Compensation Claims, Litigation and Unemployment Compensation Interest Payable are not payable with currently expendable available financial resources.

The constitutional debt limit, which allows for the incurrence of debt to be used for capital projects without electorate approval as specifically itemized in a capital budget, was $21.2 billion as of August 31, 1988, with net debt outstanding of $4 billion.

NOTE K —Long-Term Obligations (continued)

The following table presents annual principal and interest payments for long-term debt outstanding at June 30, 1988 (May 31, 1988 for the Pennsylvania Turnpike Commission) (expressed in thousands):

	1989	1990	1991	1992	1993	1994 Through Maturity	Total
ENTERPRISE FUNDS							
Revenue Bonds:							
Pennsylvania Higher Education Assistance Agency	$ 15,627	$ 15,628	$ 15,627	$ 15,628	$ 15,628	$ 413,206	$ 491,344
Pennsylvania Housing Finance Agency	149,150	148,691	149,358	148,133	148,079	3,412,254	4,155,665
Pennsylvania Industrial Development Authority	18,905	18,625	17,474	14,556	12,219	122,424	204,203
Pennsylvania Turnpike Commission	235,228	164,405	96,830	148,436	27,077	676,925	1,348,901
Total Principal and Interest	418,910	347,349	279,289	326,753	203,003	4,624,809	6,200,113
Less: Interest Payments	203,196	191,608	181,566	169,958	166,632	2,450,166	3,363,126
TOTAL ENTERPRISE FUNDS	$ 215,714	$ 155,741	$ 97,723	$ 156,795	$ 36,371	$2,174,643	$2,836,987
GENERAL LONG-TERM OBLIGATIONS ACCOUNT GROUP							
General Obligation Bonds:							
Capital Facilities	$ 493,689	$ 519,795	$ 464,807	$ 447,819	$ 426,772	$2,847,396	$5,200,278
Disaster Relief	12,235	12,094	10,361	10,351	10,337	88,714	144,092
Land and Water Development	37,271	37,496	35,715	35,530	35,077	243,085	424,174
Nursing Home Loan Development	6,498	6,441	6,376	6,319	6,270	29,693	61,597
Project 70 Land Acquisition	763	764	763	770	770	5,449	9,279
Volunteer Companies Loan	2,650	2,578	2,509	2,436	2,366	13,912	26,451
Vietnam Conflict Veterans Compensation	4,560	4,562	4,558	4,560	4,559	29,981	52,780
Water Facilities Loan	15,687	15,197	14,694	14,180	13,653	119,674	193,085
Pennsylvania Economic Revitalization	11,445	10,623	8,430	7,983	7,169	16,915	62,565
General State Authority	39,617	35,439	28,971	23,056	16,165	21,028	164,276
State Highway and Bridge Authority	24,609	18,513	12,631	7,061	. . . .	. . . .	62,814
State Public School Building Authority	388	. . . .	. . . .	. . . .	. . . .	. . . .	388
Refunding Bonds	17,990	18,265	26,360	29,634	32,120	228,387	352,756
Total Principal and Interest	667,402	681,767	616,175	589,699	555,258	3,644,234	6,754,535
Less: Interest Payments	282,597	261,479	236,865	210,444	188,718	875,787	2,055,890
	384,805	420,288	379,310	379,255	366,540	2,768,447	4,698,645
Revenue Bonds:							
Pennsylvania Higher Educational Facilities Authority	128,796	109,465	109,940	101,878	99,631	1,687,686	2,237,396
State Public School Building Authority	43,310	40,524	37,443	35,290	33,933	146,444	336,944
Total Principal and Interest	172,106	149,989	147,383	137,168	133,564	1,834,130	2,574,340
Less: Interest Payments	98,572	93,261	89,402	85,382	81,653	834,888	1,283,158
	73,534	56,728	57,981	51,786	51,911	999,242	1,291,182
TOTAL GENERAL OBLIGATION AND REVENUE BONDS	458,339	477,016	437,291	431,041	418,451	3,767,689	5,989,827
Other General Long-Term Obligations	185,475	66,582	49,326	46,904	46,268	1,013,412	1,407,967
TOTAL GENERAL LONG-TERM OBLIGATIONS ACCOUNT GROUP	$ 643,814	$ 543,598	$ 486,617	$ 477,945	$ 464,719	$4,781,101	$7,397,794

NOTE K—Long-Term Obligations (continued)

The Commonwealth has entered into agreements to lease various facilities and equipment. Such agreements are in substance purchases (capital leases) and are reported as Other General Long-Term Obligations and Capital Lease Obligations for the College and University Funds.

The following is a schedule by fiscal year of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 1988 (expressed in thousands):

	General Long-Term Obligations	College and University Funds
Fiscal year ending June 30:		
1989	$ 11,141	$ 11,159
1990	9,985	10,552
1991	8,782	9,934
1992	8,352	8,548
1993	8,238	8,075
Later years	180,465	37,930
Total minimum lease payments	226,963	86,198
Less: amount representing estimated executory costs included in total minimum lease payments	22,709	. . . .
Net minimum lease payments	204,254	86,198
Less: amount representing interest	94,475	26,113
Present value of net minimum lease payments	109,779	60,085
Installment purchase obligations	52,479	. . . .
TOTAL CAPITAL LEASE AND INSTALLMENT PURCHASE OBLIGATIONS	$162,258	$ 60,085

At June 30, 1988 general fixed assets included $97.5 million of buildings and $59.4 million of equipment under capital lease.

Capital lease obligations outstanding as of June 30, 1988 for the College and University Funds relate to various capital projects currently under construction for which a related public financing authority is the lessor. Revenue bonds were issued by the public financing authority to provide funding for these capital projects. College and University Funds fixed assets include $11.1 million of construction in progress related to capital leases at June 30, 1988.

NOTES TO FINANCIAL STATEMENTS

NOTE L—REFUNDED DEBT

In July 1987 the Pennsylvania Higher Educational Facilities Authority (PHEFA) issued $38.2 million in State System of Higher Education (SSHE) Revenue Bonds, First Series of 1987 with an average interest rate of 6.3 percent to advance refund $31 million in outstanding SSHE Revenue Bonds for Indiana University of Pennsylvania with an average interest rate of 7.96 percent. The new proceeds (including $1.7 million of Revenue Fund and Bond Proceeds Fund earnings, and accrued interest) of $23.5 million (after payment of $.6 million in underwriting and discount fees, allocation of $12.8 million to fund additional projects, and funding of $3 million to the Revenue Fund) plus an additional $8.4 million from funds available under the original indenture were deposited with an escrow agent to provide for all future debt service payments of the SSHE Revenue Bonds for Indiana University of Pennsylvania. As a result, the SSHE Revenue Bonds for Indiana University of Pennsylvania are considered to be defeased and the liability for those bonds has been removed from the General Long-Term Obligations Account Group. The PHEFA advance refunded the SSHE Revenue Bonds for Indiana University of Pennsylvania to reduce its total debt service payments by $4.3 million and to obtain an economic gain of $1.9 million.

In August 1987 the SSHE issued $38.2 million in Revenue Bonds, Series C (Series C) to fund the construction of dormitories and to advance refund the 1985 Series A bonds. Bond proceeds of $23.8 million (Series C) with an average interest rate of 6.2 percent were used to advance refund $22.8 million (Series A) with an average interest rate of 7.7 percent. The net proceeds of $23.5 million (after payment of $145,000 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Series A bonds. As a result, the Series A bonds are considered to be defeased and the liability for those bonds has been removed from the General Long-Term Obligations Account Group. The SSHE advance refunded the Series A bonds to reduce its total debt service payments by $12.8 million and to obtain an economic gain of $10.9 million.

Through June 30, 1988 the Commonwealth has defeased certain general obligation and other bonds by placing the proceeds of the new bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, these assets and liabilities are not included in the Commonwealth's financial statements. At June 30, 1988 there are $1.1 billion of bonds outstanding that have been defeased through advance refundings. Included are $195 million of general obligation bonds, $429 million and $372 million of revenue bonds for the State Public School Building Authority and PHEFA, Debt Service Funds, respectively, $63 million of revenue bonds for the Pennsylvania Turnpike Commission, an Enterprise Fund, and $23 million of revenue bonds for the SSHE, College and University Funds.

NOTES TO FINANCIAL STATEMENTS

NOTE M—RECONCILIATION OF BUDGETARY AND GAAP BASIS AMOUNTS

The Commonwealth adopts formal annual budgets for the General and three Special Revenue Funds (Motor License, State Lottery and Workmen's Compensation Administration). In addition, the State Public School Building Authority approves a formal annual budget for its operations and is included as a Budgeted Special Revenue Fund.

The Combined Statement of Revenues, Expenditures, and Changes in Unreserved/Undesignated Fund Balances—Budget and Actual (Budgetary Basis)—presents comparisons of the legally adopted budget, as amended, with actual data on a budgetary basis, which differs from GAAP primarily by the omission of certain revenue and expenditure accruals.

The following presents a reconciliation of the budgetary basis to the GAAP basis of reporting (expressed in thousands):

	General Fund	Special Revenue Funds
BUDGETED FUNDS:		
Budgetary basis — revenues and other sources under expenditures	$ (253,176)	$ (10,760)
Adjustments:		
To adjust revenues, other financing sources and related receivables and deferred revenue	(127,928)	1,066,625
To adjust expenditures, other financing uses and related accounts payable and accrued liabilities	(760,749)	(1,318,137)
To adjust encumbrances	934,156	238,573
Net adjustments	45,479	(12,939)
NONBUDGETED FUNDS:		
GAAP basis — revenues and other sources under expenditures and other uses	....	(44,568)
TOTAL ALL FUNDS:		
GAAP basis — revenues and other sources under expenditures and other uses	$ (207,697)	$ (68,267)

NOTE N—SEGMENT INFORMATION—ENTERPRISE FUNDS

The Commonwealth has seven major Enterprise Funds which provide for a limited access highway system, industrial development loans, workmen's compensation insurance services, liquor sales, student loans and scholarships, low-cost housing and capital development loans.

Segment information for the fiscal year ended June 30, 1988, unless otherwise noted, was as follows (expressed in thousands):

	Pennsylvania Turnpike Commission (May 31, 1988)	Pennsylvania Industrial Development Authority	State Workmen's Insurance Fund (Dec. 31, 1987)	State Stores Fund (June 28, 1988)	Pennsylvania Higher Education Assistance Agency	Pennsylvania Housing Finance Agency	Sunny Day Fund	Other Enterprise Funds	Total Enterprise Funds
Operating revenues	$ 205,522	$ 25,479	$ 199,295	$ 605,000	$ 102,022	$ 162,172	$ 4,135	$ 18,239	$ 1,321,864
Depreciation	38,481	. . . .	544	1,986	3,957	212	4,903	482	50,565
Operating income (loss)	66,166	11,721	72,530	22,546	(122,937)	11,936	(1,039)	2,087	63,010
Operating transfers in	. . . .	. . . .	. . . .	. . . .	139,448	15,000	. . . .	. . . .	154,448
Operating transfers out	. . . .	. . . .	. . . .	26,424	. . . .	. . . .	. . . .	. . . .	26,424
Net income (loss)	79,237	11,721	73,781	(5,216)	16,532	26,007	(1,039)	2,742	203,765
Capital contributions	. . . .	12,000	. . . .	2,294	. . . .	. . . .	20,000	80,258	114,552
Fixed asset additions	97,369	. . . .	1,126	4,101	2,716	258	4,217	4,314	114,101
Net increase (decrease) in cash and temporary investments	119,581	31,210	37,954	1,467	(33,441)	(12,132)	14,754	12,612	172,005
Total assets	1,547,352	558,491	993,710	155,699	690,522	1,963,930	70,506	187,163	6,167,373
Bonds and other long-term liabilities payable from operating revenues	792,459	107,123	598,790	. . . .	252,000	1,603,778	. . . .	. . . .	3,354,150
Total fund equity	707,339	445,719	378,749	4,767	160,446	224,290	70,506	183,534	2,175,350

NOTE O—SELF-INSURANCE

The Commonwealth is substantially uninsured for property losses.

Effective July 1, 1983 the Commonwealth became self-insured for future losses for all statutory worker's compensation and medical payments to its employes injured on the job. A loss reserve analysis is prepared annually by an independent consulting actuarial firm using standard actuarial techniques to estimate required reserve liability levels.

The Commonwealth is self-insured for tort liability claims. Major tort self-insurance areas include automobile, general tort, employe and transportation-related liability claims. Tort liabilities were determined as of June 30, 1988 based on reserves computed from the Commonwealth's claim experience.

At June 30, 1988 the following amounts are reported as General Fund and Motor License Fund, a Special Revenue Fund, accrued liabilities representing the estimate of payments to be made from currently expendable available financial resources for accidents occurring on or before June 30, 1988 (expressed in thousands):

General Fund	
Employe disability	$ 22,067
Automobile	2,198
General tort	2,181
Employe	1,497
Total	$ 27,943
Motor License Fund	
Transportation-related	$ 18,625

The portion of Commonwealth self-insurance liabilities that will not be liquidated with currently expendable available financial resources at June 30, 1988 is reported in the General Long-Term Obligations Account Group as follows (expressed in thousands):

Transportation-related	$218,343
Employe disability	175,909
General tort	31,663
Employe	25,692
Automobile	4,687
Total	$456,294

The following amounts are reported as designations in the General Fund and Motor License Fund at June 30, 1988 for future payments of self-insurance losses (expressed in thousands):

General Fund	
Employe disability	$ 71,446
Employe	4,666
General tort	3,730
Automobile	1,357
Total	$ 81,199
Motor License Fund	
Transportation-related	$ 7,989

NOTES TO FINANCIAL STATEMENTS

NOTE P—COMMITMENTS AND CONTINGENCIES

Construction and Other Commitments: At June 30, 1988 the Department of Transportation and the Pennsylvania Turnpike Commission have contractual commitments of approximately $1.5 billion for various highway construction and mass transit projects. Financing for these future expenditures will be primarily from approved federal grants and general obligation bond sales. In addition, the Commonwealth has certain contractual commitments for future purchases of various goods and services approximating $1.3 billion at June 30, 1988. These commitments are contingent upon availability of financial resources.

At June 30, 1988, the Pennsylvania Industrial Development Authority had $124 million in approved loans that had not been disbursed.

Operating Lease Commitments: The Commonwealth has commitments to lease certain buildings and equipment. Future minimum rental commitments for noncancelable operating leases as of June 30, 1988 were as follows (expressed in thousands):

Fiscal year ending June 30:	
1989	$ 80,910
1990	63,083
1991	55,166
1992	23,638
1993	17,793
Later years	46,585
Total Minimum Lease Payments	$287,175

Rental expenditures/expenses for all operating leases for the fiscal year ended June 30, 1988 amounted to $96.7 million.

Litigation: The Commonwealth, its affiliates and employes are defendants in numerous legal proceedings pertaining to matters normally incidental to routine operations. Such litigation includes, but is not limited to, claims asserted against the Commonwealth arising from alleged torts, alleged breaches of contracts, condemnation proceedings and other alleged violations of Commonwealth and Federal laws. The Commonwealth has recorded accrued liabilities at June 30, 1988 with respect to torts as presented in Note O and as follows with respect to other matters of litigation for which the likelihood of an unfavorable outcome is probable (expressed in thousands):

General Fund	$ 126
Motor License Fund (a Special Revenue Fund)	102
Other General Long-Term Obligations	143,100

Additionally, the Commonwealth has been involved over the past several years in certain legal proceedings relative to banking and highway tax matters, which continue into the present year. The Commonwealth is vigorously contesting these cases but if unsuccessful the Commonwealth could be required to make settlements and refund certain bank taxes and highway taxes of approximately $423 million (General Fund) and $400 million (Motor License Fund), respectively. Other cases that the Commonwealth is currently vigorously contesting could range from approximately $123 to $256 million and $33 to $37 million of additional liabilities, for the General Fund and Special Revenue Funds, respectively.

The Commonwealth has also been involved and is vigorously contesting various tort cases in which the potential loss could result in $37 million in the General Fund and $215 million in the Motor License Fund.

Based on the current status of all these legal proceedings for which accruals have not been made, it is the opinion of the Commonwealth's management and counsel that they will not have a material effect on the Commonwealth's financial position.

NOTE P—Commitments and Contingencies (continued)

Federal Grants: The Commonwealth receives significant financial assistance from the Federal government in the form of grants and entitlements, including several non-cash programs (which are not included in the general purpose financial statements). Receipt of grants is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable Federal regulations, including the expenditure of resources for eligible purposes. Substantially all grants are subject to either the Federal Single Audit Act or to financial and compliance audits by the grantor agencies of the Federal government or their designees. Disallowances and sanctions as a result of these audits may become liabilities of the Commonwealth. The Commonwealth is currently involved in administrative and legal proceedings, with certain Federal agencies, contesting various disallowances and sanctions related to Federal Assistance Programs ranging from $34 to $113 million. Commonwealth's management believes ultimate disallowances and sanctions, if any, will not have a material effect on the general purpose financial statements.

Student Loan Guarantees: The Pennsylvania Higher Education Assistance Agency (PHEAA), an Enterprise Fund, guarantees loans made by private lenders to certain resident students. Total outstanding guarantees issued by PHEAA approximated $4.4 billion at June 30, 1988. The U.S. Department of Education reinsures losses under these guarantees up to 100% until losses are in excess of 5% or 9% of the total loans in repayment status, then the reinsurance rate decreases to 90% and 80%, respectively.

Other Contingency: The State Lottery Fund, a Special Revenue Fund, has entered into agreements with insurance companies under which the Lottery purchases annuities under group contracts which provide payments corresponding to the State Lottery Fund's obligation to prize winners. The Commonwealth would be liable for such future payments if the insurance companies would default on their payment. At June 30, 1988 the State Lottery has purchased annuity contracts of approximately $551.3 million to fund future installment payments.

NOTE Q—MEDICAL PROFESSIONAL LIABILITY CATASTROPHE LOSS FUND

The Medical Professional Liability Catastrophe Loss Fund, an Agency Fund, acts primarily as an agent to facilitate the payment of claims covering excess liability of health care providers practicing in the Commonwealth. The Fund levies surcharges to health care providers to pay settled claims and administrative expenses paid on behalf of health care providers during the prior year. The actuarially computed liability to the health care providers for claims outstanding at June 30, 1988 totals $1,252.1 million ($910.5 million at present value based on the expected payment pattern and an assumed long-term interest rate of 7%). At June 30, 1988, $156.8 million is payable with expendable available financial resources and is shown as a fund liability. The remaining claims are assessable to health care providers in future years as claims are settled and paid and, therefore, do not represent liabilities of the Commonwealth. The following is a summary of the increases and decreases of the Fund's assets for the year ended June 30, 1988 (expressed in thousands):

Fund assets, July 1, 1987	$121,823
Surcharges to health care providers	168,455
Investment income	10,888
Payments to claimants	(136,439)
Administrative expenses	(5,934)
Fund assets, June 30, 1988	$158,793

NOTE R—SUBSEQUENT EVENTS

On October 15, 1988 the Commonwealth issued $240.6 million of general obligation bonds, Third Series A and B of 1988, with an average interest rate of 6.68 percent. The bond proceeds include $127.6 million to advance refund all the outstanding bonds of the General State Authority.

During October 1988 the Commonwealth issued $500 million of Tax Anticipation Notes, First Series of 1988-89. The notes are payable from and secured by the pledge of revenues to be received in the General Fund during the fiscal year ending June 30, 1989. This obligation is due and payable not later than June 30, 1989.

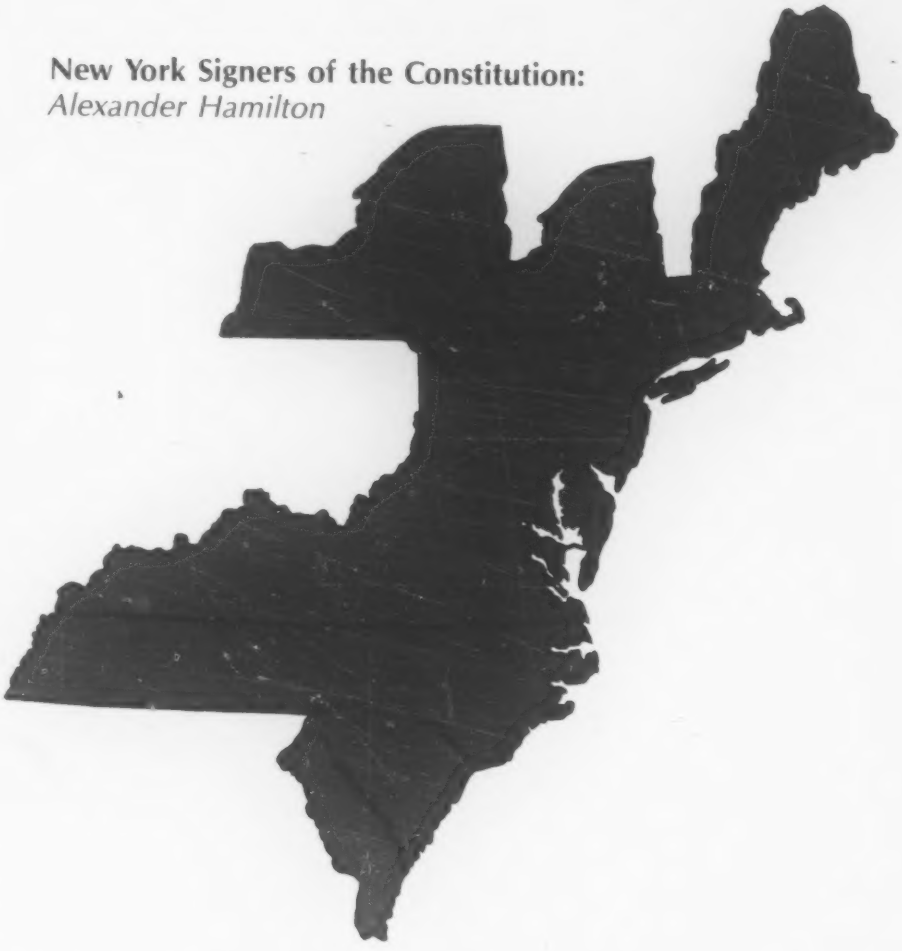
On November 9, 1988 the Commonwealth's Unemployment Compensation Fund, an Expendable Trust Fund, repaid the $207.2 million advance from the Federal Unemployment Trust Fund. This payment completely extinguished the principal portion of the Commonwealth's outstanding unemployment compensation liability advanced under Title XII of the Social Security Act.

On November 15, 1988 the Pennsylvania Turnpike Commission, an Enterprise Fund, redeemed $122 million of the 1986 Series B, C and D bond issues and issued serial and term bonds in the amount of $121.3 million. These new bonds are scheduled to mature periodically over the next 30 years until the year 2017.

On December 12, 1988 Act 145 of 1988, abolishing the Catastrophic Loss Trust Fund, an Expendable Trust Fund, was signed into law by Governor Casey. At June 30, 1988 the fund reported total assets of $88 million, liabilities of $66 million and a fund balance of $22 million. Also at June 30, 1988, the General Long-Term Obligations Account Group includes a $270 million liability for the net present value of probable losses for claims arising from motor vehicle accidents through June 30, 1988.

Combining Financial Statements and Schedules

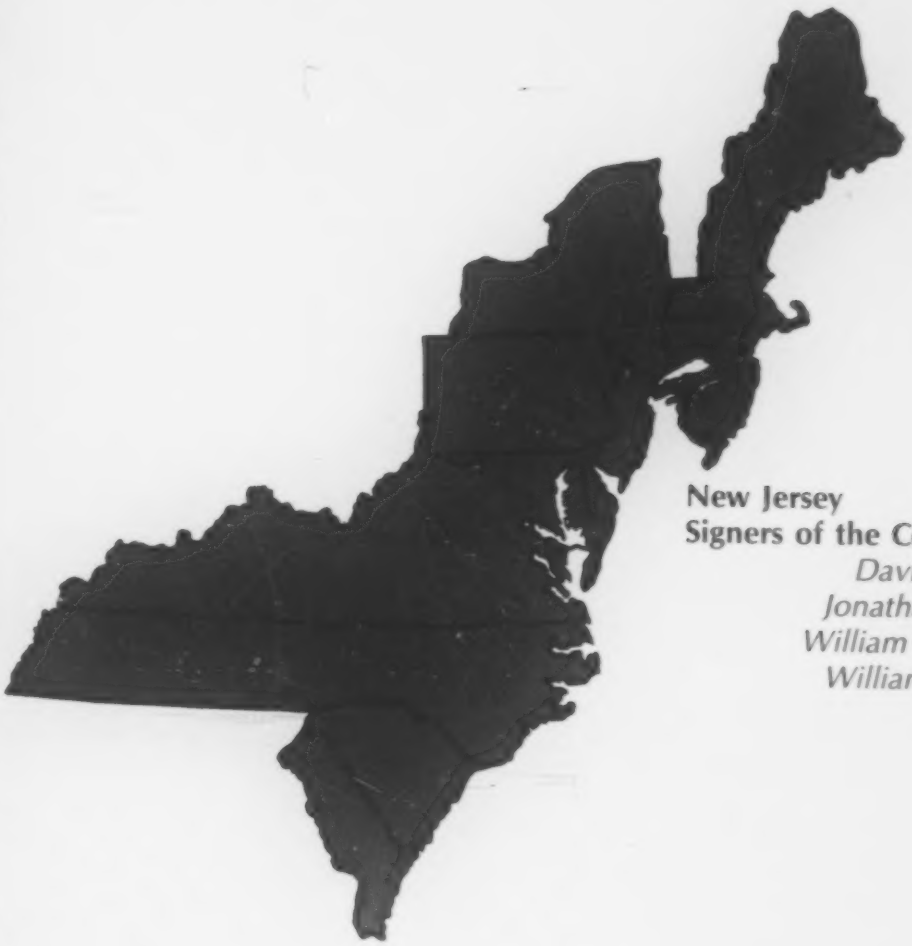
New York Signers of the Constitution:
Alexander Hamilton



NEW YORK SIGNERS OF THE CONSTITUTION

Alexander Hamilton 1755-1804 was born in the British West Indies and sailed to New York in 1772. In economic terms, he is noted for literally building the United States. He was our first Secretary of the Treasury under President Washington and he established the public credit at home and abroad. He joined the military in 1776 and by 1777 he was officially appointed to General Washington's staff as a Lieutenant Colonel. He remained in his service through 1781. In 1782 he was permitted to practice as an attorney and he opened his own law office in 1783. From here he expanded his career, government interests, and political writings.

Special Revenue Funds



New Jersey
Signers of the Constitution:
David Brearley
Jonathan Dayton
William Livingston
William Paterson

NEW JERSEY SIGNERS OF THE CONSTITUTION

David Brearley 1745-1790 was born in Spring Grove, New Jersey. He studied at Princeton but did not graduate. In 1781 he received an honorary M.A. degree from the college. Brearley was so outspoken on the side of the colonists that he was arrested for high treason. He was rescued by a mob of fellow citizens. In 1776 he was elected to the New Jersey Provincial Convention. In 1777 he became Colonel of the First New Jersey Regiment. In 1779 he was elected Chief Justice of the New Jersey Supreme Court. He became a presidential elector in 1789 and was also appointed a U.S. District Judge. He was buried with military and Masonic honors.

Jonathan Dayton 1760-1824 was born in Elizabeth, New Jersey and graduated from the College of New Jersey in 1776. He was the youngest member of the Federal Convention. His father, Elias Dayton, had declined the place in his son's favor. He served in the military from 1776 to 1783. He then became a lawyer and was a member of the New Jersey Assembly in 1786. He was elected to the Continental Congress in 1787 and as a member of the New Jersey Council in 1789, he went on to become Speaker of the state House of Representatives. He also served in the U.S. House of Representatives and in the Senate through 1805. Dayton, Ohio was named after him as he had owned a vast tract of land in that state.

William Livingston 1723-1790 was born in Albany, New York. Under the care of an English missionary, he lived for a year with Mohawk Indians before he was fourteen. He graduated from Yale in 1741. His law practice caused him to move to New Jersey and he was elected to the New Jersey First Continental Congress in 1774. In 1775 he became a Brigadier General of the New Jersey militia, and in 1776, the state's Governor.

William Paterson 1745-1806 was born in Ireland. He and his parents came to the colonies in 1745, landing at New Castle, Delaware. He graduated from the College of New Jersey in 1763 and was later given an M.A. degree. He served as the New Jersey Attorney General from 1776 to 1783. In 1790 he was voted Governor and Chancellor of New Jersey by the state legislature upon the death of Governor Livingston. President Washington appointed him an Associate Justice of the U.S. Supreme Court in 1793 where he participated in several trials of national importance.

SPECIAL REVENUE FUNDS
DESCRIPTIONS

Special revenue funds account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes.

State Lottery Fund — to account for the payment of prizes to winners in the state lottery, for property tax and rent assistance to the elderly, for mass transit fare subsidies, for the inflation dividend program for the elderly and for a partial rebate of drug and medical costs incurred by the elderly.

Motor License Fund — to account for highway and bridge improvement, design and maintenance, for the purchase of Rights-of-Way, for aviation activities, for transportation licensing and safety activities, for payment of subsidies for construction and maintenance of roads, and for financing Pennsylvania State Police highway patrol operations.

Workmen's Compensation Administration Fund — to account for the administration of the Pennsylvania Workmen's Compensation Act and the Pennsylvania Occupational Disease Act.

State Public School Building Authority — to account for the administration of the State Public School Building Authority (SPSBA). The SPSBA acts as a financing authority for the construction and improvement of public school facilities. Excess funds, after payment of debt service and administrative costs, are returned to the public schools.

Pharmaceutical Assistance Fund — to account for a limited pharmaceutical assistance program for the Commonwealth's senior citizens who are 65 years of age or older.

Water Facilities Loan Fund — to account for the implementation of the water project loan referendum that authorizes the Commonwealth to approve loans to local water companies for the repair, construction, extension and improvement of water supply systems, dams and port facilities and water control systems. Repayments of principal and interest from loans are transferred to the General Fund.

Pennsylvania Economic Revitalization Fund — to account for the promotion of economic redevelopment throughout Pennsylvania, for grants and loans for industrial and small business development, for acquisition of equipment for vocational programs in secondary schools, and for agricultural and recreational programs.

Energy Conservation and Assistance Fund — to account for monies received from oil overcharge settlements to finance supplemental low income weatherization and assistance programs, energy conservation activities and solid waste resource recovery programs.

Fish and Game Fund — to account for the administration and enforcement of fish and game laws and for the protection and propagation of game and aquatic life.

Pennsylvania Higher Educational Facilities Authority — to account for the administration of the Pennsylvania Higher Educational Facilities Authority (PHEFA). The PHEFA acts as a financing authority for the construction and improvement of higher educational institutions. Excess funds, after payment of debt service and administrative costs, are returned to the higher educational institutions.

Other — to account for programs related to conservation and protection of natural resources, the preservation of historical landmarks, administrative and regulatory activities of various departmental programs, and other miscellaneous Commonwealth activities.

COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS

June 30, 1988

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	Budgeted Funds											
	State Lottery	Motor License	Workmen's Compensation Administration	State Public School Building Authority	Pharmaceutical Assistance	Water Facilities Loan	Pennsylvania Economic Revitalization	Energy Conservation and Assistance	Fish and Game	Pennsylvania Higher Educational Facilities Authority	Other	Total
ASSETS												
Cash	$ 1,496	$ 32,219	$ 70	$ 258	$ 2	$ 2	$ 73	$ 2	$ 502	$	$ 3,240	$ 37,864
Temporary investments	323,702	253,138	9,225	3,721	61,606	74,487	87,492	94,411	49,616	18,139	110,075	1,085,612
Long-term investments	....	....	....	6,725	....	....	....	....	....	530	....	7,255
Receivables, net:												
Taxes	....	129,596	....	....	....	....	....	....	....	....	....	129,596
Accounts	48,457	....	....	....	....	....	....	....	....	....	3,002	51,459
Accrued interest	2,026	1,503	100	151	153	900	388	550	293	205	935	7,204
Loans	....	....	....	....	....	53,686	7,900	....	....	....	36,767	98,353
Lease rental	....	....	....	217,533	....	....	....	....	....	942,377	....	1,159,910
Other	....	2,773	....	....	....	....	....	....	....	....	....	2,773
Due from other funds	....	9,687	6	....	....	....	....	....	706	....	4,280	14,679
Due from other governments	2,779	87,248	....	....	....	....	....	....	1,452	....	4,757	96,236
TOTAL ASSETS	$ 378,460	$ 516,164	$ 9,401	$ 228,388	$ 61,761	$ 129,075	$ 95,853	$ 94,963	$ 52,569	$ 961,251	$ 163,056	$ 2,690,941
LIABILITIES AND FUND BALANCES												
Liabilities:												
Accounts payable and accrued liabilities	$ 212,404	$ 218,260	$ 734	$ 313	$ 12,098	$ 38	$ 6,595	$ 660	$ 3,454	$ 13	$ 11,630	$ 466,199
Tax refunds payable	....	10,465	....	....	....	....	....	....	....	....	....	10,465
Due to other funds	4,468	15,123	351	3	11	63,195	730	3,003	1,087	....	5,901	93,872
Due to other governments	2,503	12,535	26	....	1	....	521	385	84	....	1,635	17,690
Deferred revenue	3,075	61	....	217,533	....	....	....	....	....	942,377	3,899	1,166,945
Advances from other funds	....	2,175	....	....	....	....	....	....	....	....	....	2,175
TOTAL LIABILITIES	222,450	258,619	1,111	217,849	12,110	63,233	7,846	4,048	4,625	942,390	23,065	1,757,346
Fund Balance:												
Reserved for:												
Encumbrances	5,407	122,063	174	44	11	12,156	52,397	3,456	2,898	....	15,019	213,625
Loans	....	....	....	....	....	53,686	7,900	....	....	....	36,767	98,353
Unreserved:												
Designated for:												
Highways	....	46,414	....	....	....	....	....	....	....	....	....	46,414
Other	912	7,989	....	....	....	....	7,780	285	14	....	19,989	36,969
Undesignated	149,691	81,079	8,116	10,495	49,640	....	19,930	87,174	45,032	18,861	68,216	538,234
TOTAL FUND BALANCES	156,010	257,545	8,290	10,539	49,651	65,842	88,007	90,915	47,944	18,861	139,991	933,595
TOTAL LIABILITIES AND FUND BALANCES	$ 378,460	$ 516,164	$ 9,401	$ 228,388	$ 61,761	$ 129,075	$ 95,853	$ 94,963	$ 52,569	$ 961,251	$ 163,056	$ 2,690,941

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS

For the Fiscal Year Ended June 30, 1988

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	Budgeted Funds											
	State Lottery	Motor License	Workmen's Compensation Administration	State Public School Building Authority	Pharmaceutical Assistance	Water Facilities Loan	Pennsylvania Economic Revitalization	Energy Conservation and Assistance	Fish and Game	Pennsylvania Higher Educational Facilities Authority	Other	Total
REVENUES:												
Taxes, penalties and interest	$	$ 970,685	$	$	$	$	$	$	$ 87	$	$ 18,627	$ 989,399
Licenses and fees	101	462,416	....	....	....	....	....	....	39,355	....	3,207	505,079
Intergovernmental	50,071	679,787	....	....	....	....	21	....	8,427	....	65,553	803,859
Charges for sales and services	3,513	70,376	12,568	16,753	....	4,560	227	....	9,086	49,751	17,657	184,491
Investment income	23,958	16,715	491	1,401	4,263	5,451	4,294	7,731	3,588	973	8,385	77,250
Lottery revenues	1,472,311	....	....	....	....	....	....	....	....	....	....	1,472,311
Other	4,651	68,146	71	52	6	....	59	11,354	1,208	....	16,261	101,808
TOTAL REVENUES	1,554,605	2,268,125	13,130	18,206	4,269	10,011	4,601	19,085	61,751	50,724	129,690	4,134,197
EXPENDITURES:												
Current:												
General government	916,352	67,277	13,283	1,192	....	....	318	45,391	....	1,179	27,573	1,072,565
Protection of persons and property	....	....	....	....	....	....	....	....	....	....	342	342
Public health and welfare	571,379	....	....	....	164,906	....	....	....	....	....	91,639	827,924
Public education	....	....	....	....	....	....	....	....	....	....	305	305
Conservation of natural resources	....	....	....	....	....	441	10,620	....	57,438	....	11,485	79,984
Economic development and assistance	....	....	....	....	....	....	30,301	....	....	....	1,356	31,657
Transportation	370	1,912,796	....	....	....	....	....	....	....	....	....	1,913,166
Capital outlay	....	17,952	....	....	....	....	....	....	....	....	....	17,952
Debt Service:												
Interest and fiscal charges	2,154	1,414	....	....	422	465	402	806	311	....	668	6,642
TOTAL EXPENDITURES	1,490,255	1,999,439	13,283	1,192	165,328	906	41,641	46,197	57,749	1,179	133,368	3,950,537
REVENUES OVER (UNDER) EXPENDITURES	64,350	268,686	(153)	17,014	(161,059)	9,105	(37,040)	(27,112)	4,002	49,545	(3,678)	183,660
OTHER FINANCING SOURCES (USES):												
Bond proceeds	....	....	....	....	....	11,892	....	....	....	....	....	11,892
Operating transfers in	....	120,499	....	56,405	100,000	....	59,000	....	1,363	13,662	25,450	376,379
Operating transfers out	(117,483)	(366,876)	....	(114,478)	....	(10,731)	(5,566)	(4,719)	(64)	(130,299)	(8,409)	(758,625)
Capital lease and installment purchase obligations	....	10,378	....	....	....	....	....	....	....	....	....	10,378
Lease principal payments	....	....	....	37,959	....	....	....	....	....	70,420	....	108,379
Other	....	....	....	....	1	....	....	....	(18)	(22)	(291)	(330)
NET OTHER FINANCING SOURCES (USES)	(117,483)	(235,999)	....	(20,114)	100,001	1,161	53,434	(4,719)	1,281	(46,239)	16,750	(251,927)
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(53,133)	32,687	(153)	(3,100)	(61,058)	10,266	16,394	(31,831)	5,283	3,306	13,072	(68,267)
FUND BALANCES, JULY 1, 1987	209,143	224,858	8,443	13,639	110,709	117,935	79,613	122,746	42,661	15,555	126,919	1,072,221
RESIDUAL EQUITY TRANSFER	....	....	....	....	....	(62,359)	(8,000)	....	....	....	....	(70,359)
FUND BALANCES, JUNE 30, 1988	$ 156,010	$ 257,545	$ 8,290	$ 10,539	$ 49,651	$ 65,842	$ 88,007	$ 90,915	$ 47,944	$ 18,861	$ 139,991	$ 933,595

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN UNRESERVED/UNDESIGNATED FUND BALANCES— BUDGET AND ACTUAL (BUDGETARY BASIS) BUDGETED SPECIAL REVENUE FUNDS

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	State Lottery			Motor License		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:						
State Programs:						
Taxes, net of refunds	$	$	$	$ 906,052	$ 917,832	$ 11,780
Lottery receipts	824,584	789,260	(35,324)	....	....	....
Licenses and fees	....	....	....	426,195	449,844	23,649
Departmental services	3,560	3,560	....	15,120	15,120	....
Other	27,732	26,553	(1,179)	73,200	83,388	10,188
TOTAL STATE PROGRAMS	855,876	819,373	(36,503)	1,420,567	1,466,184	45,617
Federal Programs	56,475	54,316	(2,159)	786,814	618,429	(168,385)
TOTAL REVENUES	912,351	873,689	(38,662)	2,207,381	2,084,613	(122,768)
EXPENDITURES:						
State Programs:						
General government	254,914	251,558	3,356	228,569	221,219	7,350
Protection of persons and property	....	....	....	162,224	162,224	....
Public health and welfare	629,095	627,723	1,372	....	....	....
Public education	....	....	....	2,300	1,948	352
Transportation	....	....	....	1,068,176	1,066,830	1,346
TOTAL STATE PROGRAMS	884,009	879,281	4,728	1,461,269	1,452,221	9,048
Federal Programs	56,475	54,316	2,159	786,814	618,429	168,385
TOTAL EXPENDITURES	940,484	933,597	6,887	2,248,083	2,070,650	177,433
REVENUES OVER (UNDER) EXPENDITURES	(28,133)	(59,908)	(31,775)	(40,702)	13,963	54,665
OTHER FINANCING SOURCES:						
Prior year lapses	25,347	25,347	....	12,079	12,079	....
TOTAL OTHER FINANCING SOURCES	25,347	25,347	....	12,079	12,079	....
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	(2,786)	(34,561)	(31,775)	(28,623)	26,042	54,665
UNRESERVED/UNDESIGNATED FUND BALANCES (BUDGETARY BASIS), JULY 1, 1987	314,314	314,314	....	78,105	78,105	....
UNRESERVED/UNDESIGNATED FUND BALANCES (BUDGETARY BASIS), JUNE 30, 1988	$ 311,528	$ 279,753	$ (31,775)	$ 49,482	$ 104,147	$ 54,665

(Expressed in Thousands)

Workmen's Compensation Administration			State Public School Building Authority			Total		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
$ 13,028	$ 12,713	$ (315)	$	$	$	$ 919,080	$ 930,545	$ 11,465
....	....	....	....	....	....	824,584	789,260	(35,324)
....	....	....	3,280	1,714	(1,566)	429,475	451,558	22,083
....	....	....	1,462	1,462	....	20,142	20,142	....
1,215	628	(587)	185	52	(133)	102,332	110,621	8,289
14,243	13,341	(902)	4,927	3,228	(1,699)	2,295,613	2,302,126	6,513
....	....	....	....	....	....	843,289	672,745	(170,544)
14,243	13,341	(902)	4,927	3,228	(1,699)	3,138,902	2,974,871	(164,031)
13,028	13,028	....	6,331	6,167	164	502,842	491,972	10,870
....	....	....	....	....	....	162,224	162,224	....
....	....	....	....	....	....	629,095	627,723	1,372
....	....	....	....	....	....	2,300	1,948	352
....	....	....	....	....	....	1,068,176	1,066,830	1,346
13,028	13,028	....	6,331	6,167	164	2,364,637	2,350,697	13,940
....	....	....	....	....	....	843,289	672,745	170,544
13,028	13,028	....	6,331	6,167	164	3,207,926	3,023,442	184,484
1,215	313	(902)	(1,404)	(2,939)	(1,535)	(69,024)	(48,571)	20,453
385	385	....	....	....	....	37,811	37,811	....
385	385	....	....	....	....	37,811	37,811	....
1,600	698	(902)	(1,404)	(2,939)	(1,535)	(31,213)	(10,760)	20,453
7,235	7,235	....	10,526	10,526	....	410,180	410,180	....
$ 8,835	$ 7,933	$ (902)	$ 9,122	$ 7,587	$ (1,535)	$ 378,967	$ 399,420	$ 20,453

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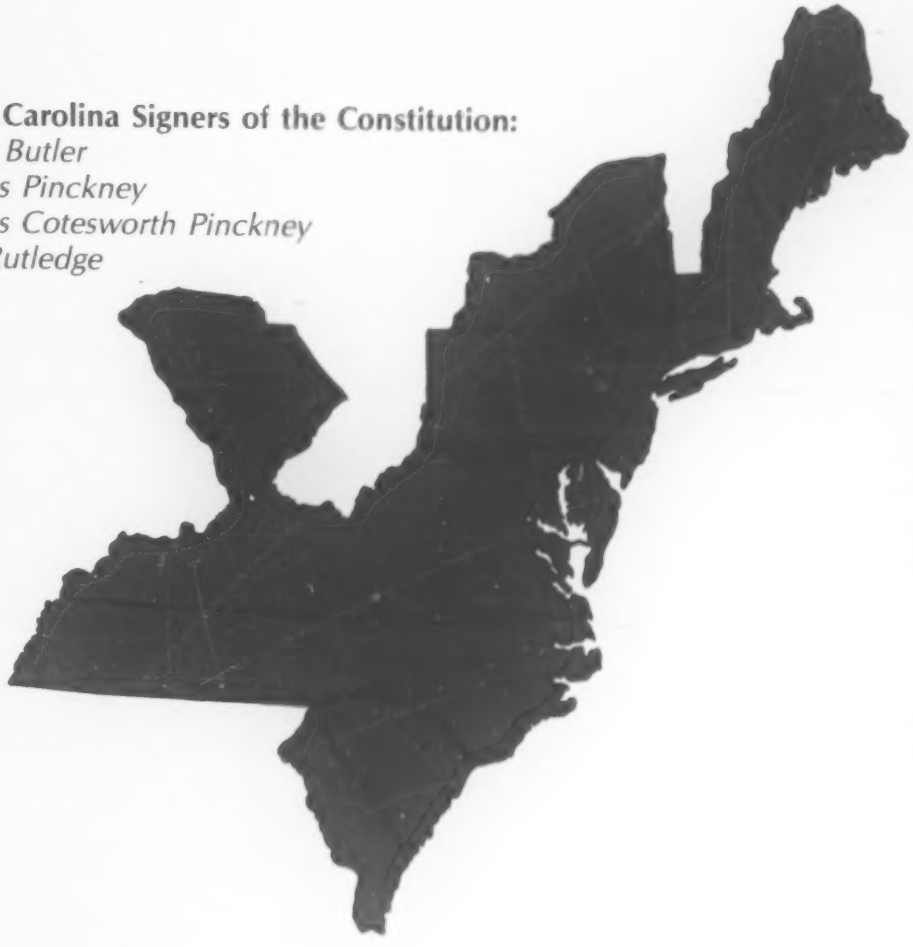
Debt Service Funds

South Carolina Signers of the Constitution:
Pierce Butler
Charles Pinckney
Charles Cotesworth Pinckney
John Rutledge



SOUTH CAROLINA SIGNERS OF THE CONSTITUTION

Pierce Butler 1744-1822 was born in Ireland. He was commissioned an ensign in the British Army in 1757 when he was just five months short of his thirteenth birthday. His regiment was ordered to Boston in 1768 and he participated for the British in the Boston Massacre. Marriage brought him to South Carolina and he retired from the British Army in 1773. He was appointed Adjutant General in 1779 and served in the state legislature for five years between 1778 and 1789. He served as a U.S. Senator from 1789 to 1796 and again, to fill a vacancy, from 1802 to 1804.

Charles Pinckney 1758-1824 was born in Charleston, South Carolina. He was educated in his home state, studied law, and was admitted to the bar. He is a cousin of Charles Cotesworth Pinckney and he served in the military with him. He was elected to the Continental Congress in 1784 and became active in its proceedings. He was elected Governor four times for South Carolina (1789, 1792, 1796, 1806) and was elected to the U.S. Senate in 1798. In 1801 he accepted an appointment as minister to Spain and he served until 1805. He served in the state legislature (1810-1814), and in the U.S. House of Representatives (1819-1821).

Charles Cotesworth Pinckney 1746-1825 was born in Charleston, South Carolina. In 1753 his family went to England where he received his schooling and later studied law at the Middle Temple in London. He was elected to the Colonial Assembly in 1769, the year he returned to America. He was admitted to the bar of the province in 1770 and entered the military in 1775. He declined many offers of appointment by President Washington. In 1800 he was defeated as the Federalist party candidate for Vice President and for President in 1804 and 1808.

John Rutledge 1739-1800 was born in Charleston, South Carolina. He studied law with his uncle and with James Parsons before traveling to London to continue his studies at the Middle Temple. He returned to Charleston in 1760 and was admitted to the bar in 1761. He rose quickly in his profession. In 1763 he appeared in fifty-two cases and lost none. He held several political offices in South Carolina before becoming its Governor. In 1782 he gave up the post as Governor because he could not succeed himself and he was elected to the Continental Congress. His judicial career began in 1784 when he became judge of the State Court of Chancery. He held several other judge positions until he was appointed, in 1795, by President Washington as the Chief Justice of the U.S. Supreme Court. He presided over one session before his nomination was rejected by the Senate.

DEBT SERVICE FUNDS
DESCRIPTIONS

Debt service funds account for the accumulation of resources, principally from transfers from other funds, for the payment of general long-term debt principal and interest.

Pennsylvania Economic Revitalization Sinking Fund — to account for the payment of principal and interest upon bonds issued for the promotion of economic redevelopment throughout Pennsylvania. Funding consists of transfers from the General Fund and the Pennsylvania Economic Revitalization Fund.

Water Facilities Loan Redemption Fund — to account for payment of the principal and interest upon bonds issued for loans to local water companies for the repair, construction, extension and improvement of water supply systems, dams and port facilities and water control systems. Funding consists of transfers from the General Fund and the Water Facilities Loan Fund.

Capital Debt Fund — to account for payments of principal and interest related to general obligation bonds issued for capital projects authorized by Capital Budget Acts. Funding consists of transfers from the General Fund and the Motor License Fund.

Pennsylvania Higher Educational Facilities Authority — to account for the payment of the principal and interest upon bonds issued by the Pennsylvania Higher Educational Facilities Authority (PHEFA). The PHEFA acts as the financing authority for the construction and improvement of higher educational institutions. Funding consists of rental payments collected for the use of the facilities.

State Public School Building Authority — to account for the payment of the principal and interest on bonds issued by the State Public School Building Authority (SPSBA). The SPSBA acts as a financing authority for the construction and improvement of public school facilities. Funding consists of rental payments collected for the use of the facilities and transfers from the SPSBA Special Revenue Fund.

General State Authority — to account for the payment of the principal and interest upon bonds issued by the General State Authority (GSA). The GSA financed the acquisition and construction of facilities from 1949-1968, to be leased to the Commonwealth of Pennsylvania. In 1975, the function, power and duties of GSA were transferred, by law, to the Commonwealth of Pennsylvania, except for the servicing of the debt. Funding consists of rental payments collected for the use of the facilities.

Other — to account for the payment of principal and interest upon bonds issued for loans to nursing homes and volunteer fire companies, for disaster relief grants and for compensation to Vietnam Veterans. Funding consists of transfers from the General Fund.

COMBINING BALANCE SHEET
DEBT SERVICE FUNDS

June 30, 1988

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	Pennsylvania Economic Revitalization Sinking	Water Facilities Loan Redemption	Capital Debt	Pennsylvania Higher Educational Facilities Authority	State Public School Building Authority	General State Authority	Other	Total
ASSETS								
Cash	$ 2	$ 3	$ 2	$ 4,198	$ 73	$ 16	$ 8	$ 4,302
Cash with fiscal agents	....	15	25,267	....	....	630	2,123	28,035
Temporary investments	2,280	533	744	63,541	7,619	43,213	688	118,618
Long-term investments	....	....	....	41,899	11,809	....	....	53,708
Receivables, net:								
Accrued interest	17	5	19	1,777	356	2,542	2	4,718
Lease rental	....	....	42,032	....	....	4,653	....	46,685
Due from other funds	696	436	....	....	....	....	90	1,222
TOTAL ASSETS	$ 2,995	$ 992	$ 68,064	$ 111,415	$ 19,857	$ 51,054	$ 2,911	$ 257,288
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable and accrued liabilities	$	$	$ 10	$	$	$	$	$ 10
Matured debt principal and interest payable	....	15	25,267	....	....	40,260	2,113	67,655
Due to other funds	....	....	....	....	....	....	1	1
Deferred revenue	....	....	42,032	....	....	4,653	....	46,685
Other liabilities	....	27	755	....	....	....	6	788
TOTAL LIABILITIES	....	42	68,064	....	....	44,913	2,120	115,139
Fund Balance:								
Unreserved:								
Designated for:								
Debt Service:								
Retirement of general obligation bonds	2,995	950	....	....	....	6,141	791	10,877
Retirement of revenue bonds	....	....	....	111,415	19,857	....	....	131,272
TOTAL FUND BALANCES	2,995	950	....	111,415	19,857	6,141	791	142,149
TOTAL LIABILITIES AND FUND BALANCES	$ 2,995	$ 992	$ 68,064	$ 111,415	$ 19,857	$ 51,054	$ 2,911	$ 257,288

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
DEBT SERVICE FUNDS

For the Fiscal Year Ended June 30, 1988

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	Pennsylvania Economic Revitalization Sinking	Water Facilities Loan Redemption	Capital Debt	Pennsylvania Higher Educational Facilities Authority	State Public School Building Authority	General State Authority	Other	Total
REVENUES:								
Investment income	$ 94	$ 115	$ 505	$ 23,691	$ 3,439	$ 2,556	$ 499	$ 30,899
Other	....	....	9,404	12	....	2,793	....	12,209
TOTAL REVENUES	94	115	9,909	23,703	3,439	5,349	499	43,108
EXPENDITURES:								
Debt Service:								
Principal retirement	8,200	6,345	216,110	116,063	39,910	39,439	56,210	482,277
Interest and fiscal charges	3,770	8,483	221,016	80,450	18,566	6,393	34,526	373,204
TOTAL EXPENDITURES	11,970	14,828	437,126	196,513	58,476	45,832	90,736	855,481
REVENUES (UNDER) EXPENDITURES	(11,876)	(14,713)	(427,217)	(172,810)	(55,037)	(40,483)	(90,237)	(812,373)
OTHER FINANCING SOURCES (USES):								
Refunding bond proceeds	....	....	....	38,240	....	....	....	38,240
Operating transfers in	13,626	14,532	423,006	180,921	56,878	42,550	89,943	821,456
Operating transfers out	....	....	....	(18,936)	(3,436)	....	(10)	(22,382)
Payment to refunded bond escrow agent	....	....	....	(31,842)	....	....	....	(31,842)
Other	....	....	....	(13,333)	....	....	....	(13,333)
NET OTHER FINANCING SOURCES	13,626	14,532	423,006	155,050	53,442	42,550	89,933	792,139
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	1,750	(181)	(4,211)	(17,760)	(1,595)	2,067	(304)	(20,234)
FUND BALANCES, JULY 1, 1987	1,245	1,131	4,211	129,175	21,452	4,074	1,095	162,383
FUND BALANCES, JUNE 30, 1988	$ 2,995	$ 950	$	$ 111,415	$ 19,857	$ 6,141	$ 791	$ 142,149

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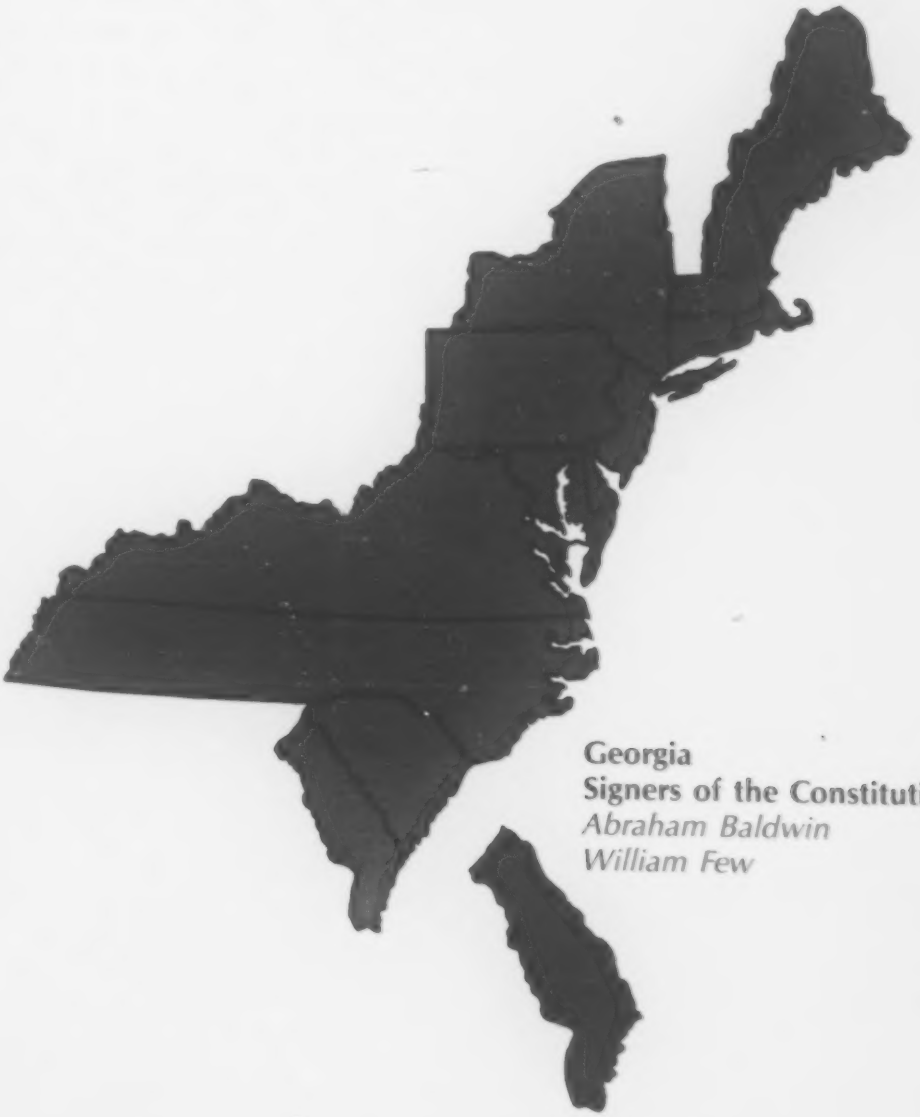
Capital Projects Funds



Georgia
Signers of the Constitution:
Abraham Baldwin
William Few

GEORGIA SIGNERS OF THE CONSTITUTION

Abraham Baldwin 1754-1807 was born in North Guilford, Connecticut. He graduated from Yale in 1772 and in 1775 he received a license as a minister and became a tutor at Yale. After spending some time in the military he studied law and was admitted to practice in 1783. He moved to Georgia in 1784. He was elected to the Continental Congress in 1785. In 1791 he was elected a member of the U.S. House of Representatives where he served until 1799 when he became a Senator.

William Few 1748-1828 was born in Baltimore County, Maryland. In 1758 his family moved to North Carolina and he was taught agriculture. Except for one brief period in Maryland, his formal schooling lasted one year. From there it was his insatiable desire for reading that gave him knowledge in law, history, philosophy, and astronomy. In 1771 his family moved to Georgia and he followed later. In 1776 he became a Justice of the Peace and was elected to the Georgia legislature which convened in 1777. He was elected to the Continental Congress in 1780 and was re-elected through 1788 although he did not attend in 1784 and 1785. In 1789 he was one of Georgia's first two U.S. Senators and he served through 1793. In 1796 he was appointed judge of the Second Judicial Court of Georgia where he served until 1799. He then moved to New York City and continued his political activities.

CAPITAL PROJECTS FUNDS
DESCRIPTIONS

Capital projects funds account for financial resources to be used for the acquisition or construction of major capital facilities, including those provided to political subdivisions or other public organizations.

Capital Facilities Fund — to account for the proceeds of general obligation bonds issued to meet the financing costs of capital projects specifically itemized and authorized by Capital Budget Acts.

Pennsylvania Higher Educational Facilities Authority — to account for proceeds of bonds issued to finance the construction and improvement of higher educational authorities.

State Public School Building Authority — to account for the proceeds of bonds issued to finance the construction and improvement of public school facilities.

Other — to account for the proceeds of bonds issued to meet the financing costs for the acquisition, development and improvement to Commonwealth land and facilities.

COMBINING BALANCE SHEET
CAPITAL PROJECTS FUNDS

June 30, 1988

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	Capital Facilities	Pennsylvania Higher Educational Facilities Authority	State Public School Building Authority	Other	Total
ASSETS					
Cash	$ 17	$ 611	$ 73	$ 36	$ 737
Cash with fiscal agents	....	....	....	13,930	13,930
Temporary investments	190,154	139,839	30,304	2,616	362,913
Long-term investments	....	5,650	6,869	....	12,519
Receivables, net:					
Accrued interest	1,145	728	451	191	2,515
Other	....	....	989	....	989
TOTAL ASSETS	$ 191,316	$ 146,828	$ 38,686	$ 16,773	$ 393,603
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	$ 23,072	$	$ 1,219	$ 200	$ 24,491
Due to other funds	8,567	....	....	219	8,786
Due to other governments	....	....	....	30	30
TOTAL LIABILITIES	31,639	....	1,219	449	33,307
Fund Balance:					
Reserved for:					
Encumbrances	316,993	....	....	734	317,727
Unreserved:					
Designated for:					
Capital projects	....	146,828	37,467	11,058	195,353
Other	....	....	....	4,532	4,532
Undesignated (deficit)	(157,316)	....	....	....	(157,316)
TOTAL FUND BALANCES	159,677	146,828	37,467	16,324	360,296
TOTAL LIABILITIES AND FUND BALANCES	$ 191,316	$ 146,828	$ 38,686	$ 16,773	$ 393,603

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES CAPITAL PROJECTS FUNDS

For the Fiscal Year Ended June 30, 1988

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	Capital Facilities	Pennsylvania Higher Educational Facilities Authority	State Public School Building Authority	Other	Total
REVENUES:					
Intergovernmental	$ 6,288	$	$	$	$ 6,288
Investment income	10,754	10,698	1,556	1,253	24,261
Other	46	57	67	33	203
TOTAL REVENUES	17,088	10,755	1,623	1,286	30,752
EXPENDITURES:					
Public education	....	81,006	10,818	....	91,824
Economic development and assistance	71,467	....	....	....	71,467
Transportation	30,295	....	....	....	30,295
Capital outlay	193,752	....	....	4,348	198,100
Debt service:					
Interest and fiscal charges	884	....	....	23	907
TOTAL EXPENDITURES	296,398	81,006	10,818	4,371	392,593
REVENUES (UNDER) EXPENDITURES	(279,310)	(70,251)	(9,195)	(3,085)	(361,841)
OTHER FINANCING SOURCES (USES):					
Bond proceeds	448,955	70,730	17,785	1,982	539,452
Operating transfers in	....	41,374	5,000	....	46,374
Operating transfers out	(117,111)	(86,896)	(195)	(230)	(204,432)
Other	....	(4,031)	....	(247)	(4,278)
NET OTHER FINANCING SOURCES	331,844	21,177	22,590	1,505	377,116
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	52,534	(49,074)	13,395	(1,580)	15,275
FUND BALANCES, JULY 1, 1987—AS RESTATED	107,143	195,902	24,072	17,904	345,021
FUND BALANCES, JUNE 30, 1988	$ 159,677	$ 146,828	$ 37,467	$ 16,324	$ 360,296

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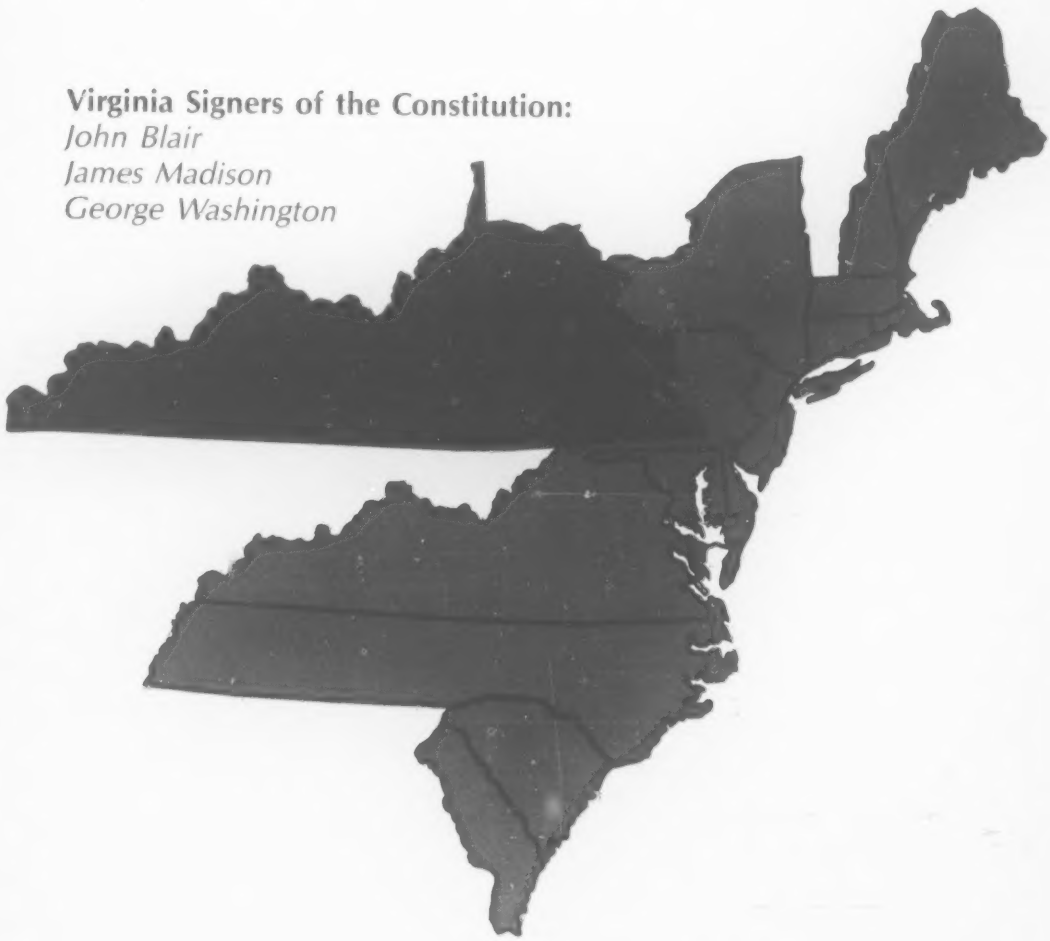
Enterprise Funds

Virginia Signers of the Constitution:
John Blair
James Madison
George Washington



VIRGINIA SIGNERS OF THE CONSTITUTION

John Blair 1732-1800 was born in Williamsburg, Virginia. He studied at William and Mary and later pursued law at the Middle Temple in London. He rose rapidly in the legal profession, in Virginia, and was elected to the House of Burgesses in 1765. In 1789, President Washington appointed him as Associate Justice of the U.S. Supreme Court where he served through 1796.

James Madison 1751-1836 was born in Port Conway, Virginia. He graduated from Princeton in 1771. While at college he helped to organize the American Whig Society. In 1776 he took his seat in the first Virginia State Assembly. Here he first met Thomas Jefferson, who later became a lifelong friend. He was elected to the Continental Congress in 1780 and in 1784 was again elected to the Virginia Assembly. In 1801 President Thomas Jefferson appointed him Secretary of State, a capacity he served in through both of Jefferson's terms. In 1809 he became the fourth President of the United States and served for two terms. He died in 1836, the last living Signer of the Constitution.

George Washington 1732-1799 was born at Pope's Creek, Westmoreland County, Virginia. His early life was spent on plantation land. He had little formal education, was self-taught in mathematics, and developed a good style in English composition. He became proficient as a surveyor at the age of fifteen. He entered the military in 1753, before he was twenty-one years old, and at twenty-three he became Commander in Chief of the Virginia forces. By 1775 he was unanimously elected Commander in Chief of the Continental Army, a post he did not think himself "equal to the command." His many accomplishments before and after this are well known. He became our first President in 1789 and served for two terms through 1797. He declined serving a third term for which he would have been undoubtedly re-elected.

ENTERPRISE FUNDS DESCRIPTIONS

Enterprise Funds account for operations that are financed and operated in a manner similar to private business enterprises. Costs of providing goods and services to the general public on a continuing basis, including depreciation, are financed or recovered primarily through user charges.

Pennsylvania Turnpike Commission (PTC) — to account for the construction, operation and maintenance of the Pennsylvania Turnpike System. The PTC was created as an instrumentality of the Commonwealth with powers to issue revenue bonds payable from tolls and other revenues collected.

Pennsylvania Industrial Development Authority — to account for loans to local industrial development agencies to stimulate economic activity in areas of high unemployment. Earnings of the Authority and repayments of loans receivable are reinvested in additional loans.

State Workmen's Insurance Fund — to account for and provide workmen's compensation insurance to employers, including those refused policies by private insurance firms.

State Stores Fund — to account for the general operation of the Pennsylvania Liquor Control Board. Expenses include all costs associated with the operation and administration of the Liquor Store System and enforcement of the Liquor Control Law.

Pennsylvania Higher Education Assistance Agency — to account for a variety of programs, such as scholarships and student loans, designed to provide financial assistance to students and institutions of higher education. Earnings of the Agency and repayments of loans receivable are retained for additional loans and programmatic purposes.

Pennsylvania Housing Finance Agency — to account for financing the construction and rehabilitation of housing units for sale or rent to low and moderate income persons and families or the elderly, and to make or purchase loans to finance the purchase, construction, improvement or rehabilitation of owner-occupied single-family residences. Earnings of the Agency and repayments of notes and loans receivable are reinvested for financing of additional projects.

Sunny Day Fund — to account for loans and grants issued to attract industrial, manufacturing or research and development enterprises to the Commonwealth of Pennsylvania.

Other — to account for enterprise operations including activities associated with low interest loans to manufacturers, minority business loans, vocational rehabilitation services, and loans to volunteer fire, ambulance and rescue companies, and loans to municipalities to improve water and sewer systems.

COMBINING BALANCE SHEET
ENTERPRISE FUNDS

June 30, 1988

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	Pennsylvania Turnpike Commission (May 31, 1988)	Pennsylvania Industrial Development Authority	State Workmen's Insurance (Dec. 31, 1987)	State Stores (June 28, 1988)	Pennsylvania Higher Education Assistance Agency	Pennsylvania Housing Finance Agency	Sunny Day	Other	Total
ASSETS									
Cash	$ 18,152	$ 516	$ 1,910	$ 12,289	$ 6,171	$	$ 31	$ 336	$ 39,405
Temporary investments	542,525	161,078	89,987	22,137	207,882	491,745	55,116	52,929	1,623,399
Long-term investments	304,726	....	866,175	....	24,995	202,977	....	190	1,399,063
Receivables, net:									
Accounts	3,737	....	7,994	699	4,678	....	....	32	17,140
Accrued interest	3,135	2,453	21,732	175	14,555	14,396	326	480	57,252
Loans	....	392,457	....	....	381,564	1,241,641	5,226	64,160	2,085,048
Due from other funds	....	....	166	....	....	....	....	63,163	63,329
Due from other governments	....	....	....	....	17,182	....	....	13	17,195
Inventory	4,984	....	....	107,535	....	....	....	416	112,935
Fixed assets	1,257,708	....	3,935	24,321	27,619	2,253	14,710	20,555	1,351,101
Less: accumulated depreciation	(595,899)	....	(2,282)	(11,684)	(5,923)	(1,097)	(4,903)	(15,111)	(636,899)
Other assets	8,284	1,987	4,093	227	11,799	12,015	....	....	38,405
TOTAL ASSETS	$ 1,547,352	$ 558,491	$ 993,710	$ 155,699	$ 690,522	$ 1,963,930	$ 70,506	$ 187,163	$ 6,167,373
LIABILITIES AND FUND EQUITY									
Liabilities:									
Accounts payable and accrued liabilities	$ 42,352	$ 311	$ 1,547	$ 67,939	$ 11,038	$ 57,246	$	$ 2,325	$ 182,758
Due to other funds	2,282	25	201	15,374	661	23	....	250	18,816
Due to other governments	264	....	20	206	16,488	....	....	14	16,992
Deferred revenue	....	30	8,005	....	22,128	993	....	1,022	32,178
Notes payable	....	....	....	....	....	2,022	....	....	2,022
Demand revenue bonds payable	....	....	....	....	200,000	....	....	....	200,000
Advances from other fund	....	....	1,300	66,000	....	....	....	....	67,300
Other liabilities	2,656	5,283	5,098	1,413	27,761	75,578	....	18	117,807
Insurance loss liability	....	....	598,790	....	....	....	....	....	598,790
Revenue bonds payable	792,459	107,123	....	....	252,000	1,603,778	....	....	2,755,360
TOTAL LIABILITIES	840,013	112,772	614,961	150,932	530,076	1,739,640	....	3,629	3,992,023
Fund Equity:									
Contributed capital	46,725	339,990	....	2,294	....	1,960	70,000	173,466	634,435
Retained earnings:									
Reserved	660,614	....	49,521	....	37,000	67,478	....	1,800	816,413
Unreserved	....	105,729	329,228	2,473	123,446	154,852	506	8,268	724,502
TOTAL FUND EQUITY	707,339	445,719	378,749	4,767	160,446	224,290	70,506	183,534	2,175,350
TOTAL LIABILITIES AND FUND EQUITY	$ 1,547,352	$ 558,491	$ 993,710	$ 155,699	$ 690,522	$ 1,963,930	$ 70,506	$ 187,163	$ 6,167,373

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
ENTERPRISE FUNDS

For the Fiscal Year Ended June 30, 1988

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	Pennsylvania Turnpike Commission (May 31, 1988)	Pennsylvania Industrial Development Authority	State Workmen's Insurance (Dec. 31, 1987)	State Stores (June 28, 1988)	Pennsylvania Higher Education Assistance Agency	Pennsylvania Housing Finance Agency	Sunny Day	Other	Total
OPERATING REVENUES:									
Sales and services	$ 200,921	$	$ 108,366	$ 605,000	$ 55,878	$ 3,339	$	$ 13,260	$ 986,764
Investment income	....	10,499	90,929	....	19,832	45,560	3,046	2,743	172,609
Interest on notes and loans	....	14,192	....	....	26,312	113,273	131	2,214	156,122
Other	4,601	788	....	....	....	....	958	22	6,369
TOTAL OPERATING REVENUES	205,522	25,479	199,295	605,000	102,022	162,172	4,135	18,239	1,321,864
OPERATING EXPENSES:									
Cost of sales and services	100,875	1,765	121,614	579,880	196,864	8,593	....	12,704	1,022,295
Interest expense	....	11,310	206	....	24,138	138,617	271	246	174,788
Depreciation	38,481	....	544	1,986	3,957	212	4,903	482	50,565
Bad debts	....	683	4,401	588	....	2,814	....	2,713	11,199
Other	....	....	....	....	....	....	....	7	7
TOTAL OPERATING EXPENSES	139,356	13,758	126,765	582,454	224,959	150,236	5,174	16,152	1,258,854
OPERATING INCOME (LOSS)	66,166	11,721	72,530	22,546	(122,937)	11,936	(1,039)	2,087	63,010
NONOPERATING REVENUES (EXPENSES):									
Investment income	16,285	....	....	1,948	....	....	....	719	18,952
Interest expense	(3,214)	....	....	(260)	....	....	....	(64)	(3,538)
Other	....	....	1,251	(3,026)	21	(929)	....	....	(2,683)
NONOPERATING REVENUES (EXPENSES)	13,071	....	1,251	(1,338)	21	(929)	....	655	12,731
INCOME (LOSS) BEFORE OPERATING TRANSFERS	79,237	11,721	73,781	21,208	(122,916)	11,007	(1,039)	2,742	75,741
OPERATING TRANSFERS:									
Operating transfers in	....	....	....	....	139,448	15,000	....	....	154,448
Operating transfers out	....	....	....	(26,424)	....	....	....	....	(26,424)
TOTAL OPERATING TRANSFERS	....	....	....	(26,424)	139,448	15,000	....	....	128,024
NET INCOME (LOSS)	79,237	11,721	73,781	(5,216)	16,532	26,007	(1,039)	2,742	203,765
RETAINED EARNINGS, JULY 1, 1987	581,377	94,008	304,968	7,689	143,914	196,323	1,545	7,326	1,337,150
RETAINED EARNINGS, JUNE 30, 1988	$ 660,614	$ 105,729	$ 378,749	$ 2,473	$ 160,446	$ 222,330	$ 506	$ 10,068	$ 1,540,915

COMBINING STATEMENT OF CHANGES IN FINANCIAL POSITION
ENTERPRISE FUNDS

For the Fiscal Year Ended June 30, 1988

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	Pennsylvania Turnpike Commission (May 31, 1988)	Pennsylvania Industrial Development Authority	State Workmen's Insurance (Dec. 31, 1987)	State Stores (June 28, 1988)	Pennsylvania Higher Education Assistance Agency	Pennsylvania Housing Finance Agency	Sunny Day	Other	Total
CASH PROVIDED FROM (USED FOR) OPERATIONS:									
Net income (loss)	$ 79,237	$ 11,721	$ 73,781	$ (5,216)	$ 16,532	$ 26,007	$ (1,039)	$ 2,742	$ 203,765
Items not using (providing) cash:									
Depreciation	38,481	- - - -	544	1,986	3,957	212	4,903	482	50,565
Net amortization	(5,252)	526	(1,300)	- - - -	- - - -	3,150	- - - -	- - - -	(2,876)
Net gain on sale of long-term investments	- - - -	10	(6,260)	- - - -	- - - -	- - - -	- - - -	- - - -	(6,250)
	112,466	12,257	66,765	(3,230)	20,489	29,369	3,864	3,224	245,204
Decrease (increase) in receivables	(587)	(4,359)	(160)	51	(150,903)	(83,611)	(1,511)	(4,208)	(245,288)
Increase in due from other funds	- - - -	- - - -	(163)	- - - -	- - - -	- - - -	- - - -	(62,329)	(62,492)
Decrease (increase) in due from other governments	- - - -	- - - -	- - - -	- - - -	(7,972)	- - - -	- - - -	6	(7,966)
Decrease (increase) in inventory	(90)	- - - -	- - - -	3,623	- - - -	- - - -	- - - -	(29)	3,504
Increase (decrease) in accounts payable and accrued liabilities	(12,631)	104	1,020	6,434	414	10,997	(3,382)	39	2,995
Increase (decrease) in due to other funds	925	16	31	(3,122)	(62)	(3)	- - - -	(17)	(2,232)
Increase in due to other governments	34	- - - -	7	39	14,146	- - - -	- - - -	5	14,231
Increase (decrease) in deferred revenue	- - - -	10	231	- - - -	(3,356)	337	- - - -	(21)	(2,799)
Increase in insurance loss liability	- - - -	- - - -	38,344	- - - -	- - - -	- - - -	- - - -	- - - -	38,344
TOTAL CASH PROVIDED FROM (USED FOR) OPERATIONS	100,117	8,028	106,075	3,795	(127,244)	(42,911)	(1,029)	(63,330)	(16,499)
CASH PROVIDED FROM (USED FOR) INVESTMENT ACTIVITIES:									
Decrease (increase) in other current assets	2,269	31	(826)	110	459	420	- - - -	- - - -	2,463
Proceeds from sale of long-term investments	115,133	20,000	127,932	- - - -	6,034	- - - -	- - - -	- - - -	269,099
Purchase of long-term investments	- - - -	- - - -	(195,525)	- - - -	- - - -	(5,008)	- - - -	- - - -	(200,533)
Increase (decrease) in other current liabilities	2,656	(324)	1,424	(631)	(9,974)	15,170	- - - -	(2)	8,319
Additions to fixed assets	(97,369)	- - - -	(1,126)	(4,101)	(2,716)	(258)	(4,217)	(4,314)	(114,101)
NET CASH PROVIDED FROM (USED FOR) INVESTMENT ACTIVITIES	22,689	19,707	(68,121)	(4,622)	(6,197)	10,324	(4,217)	(4,316)	(34,753)
CASH PROVIDED FROM (USED FOR) FINANCING ACTIVITIES:									
Issuance of revenue bonds	- - - -	- - - -	- - - -	- - - -	202,000	261,227	- - - -	- - - -	463,227
Increase in contributed capital	- - - -	12,000	- - - -	2,294	- - - -	- - - -	20,000	80,258	114,552
Decrease in notes payable	- - - -	- - - -	- - - -	- - - -	- - - -	(592)	- - - -	- - - -	(592)
Decrease in demand revenue bonds payable	- - - -	- - - -	- - - -	- - - -	(102,000)	- - - -	- - - -	- - - -	(102,000)
Redemption of long-term obligations	(3,225)	(8,525)	- - - -	- - - -	- - - -	(240,180)	- - - -	- - - -	(251,930)
NET CASH PROVIDED FROM (USED FOR) FINANCING ACTIVITIES	(3,225)	3,475	- - - -	2,294	100,000	20,455	20,000	80,258	223,257
INCREASE (DECREASE) IN CASH AND TEMPORARY INVESTMENTS	119,581	31,210	37,954	1,467	(33,441)	(12,132)	14,754	12,612	172,005
CASH AND TEMPORARY INVESTMENTS, JULY 1, 1987	441,096	130,384	53,943	32,959	247,494	503,877	40,393	40,653	1,490,799
CASH AND TEMPORARY INVESTMENTS, JUNE 30, 1988	$ 560,677	$ 161,594	$ 91,897	$ 34,426	$ 214,053	$ 491,745	$ 55,147	$ 53,265	$ 1,662,804

Internal Service Funds

North Carolina
Signers of the Constitution:
William Blount
Richard Dobbs Spaight
Hugh Williamson

NORTH CAROLINA SIGNERS OF THE CONSTITUTION

William Blount 1749-1800 was born in Bertie County, North Carolina. He served time in the military and in 1781 was elected a member of the North Carolina House of Commons from Craven County. In 1782 he was elected to the Continental Congress. In 1790 he was commissioned governor of the U.S. territory south of the Ohio River, including the North Carolina grant. He was also given, by President Washington, the post of Superintendent of Indian Affairs in the Southern Department. This assignment required he move to Tennessee where he later became one of that state's first two U.S. Senators.

Richard Dobbs Spaight 1758-1802 was born in New Bern, North Carolina. He was orphaned at an early age and sent to Ireland for his education. In 1781 he was elected to the North Carolina House of Commons from New Bern where he served three consecutive terms. He served in the Continental Congress from 1783 to 1785. From 1792 to 1795 he was Governor of North Carolina and was later elected to the House of Representatives followed by election to the state Senate. In 1802 he was mortally wounded in a duel with a Federalist, who had succeeded him in Congress.

Hugh Williamson 1735-1819 was born in West Nottingham Township, Pennsylvania. He graduated from the College of Philadelphia in 1757. After studying theology, he was licensed to preach but resigned, owing to ill health. He began the study of medicine and from 1760 to 1763 was a professor of mathematics at his college. The following year he went abroad and continued his studies. He received his M.D. degree from the University of Utrecht in 1766. He was appointed Surgeon General of the North Carolina militia after offering his services to the Governor. In 1782 he was chosen to represent his state in the Continental Congress where he served until 1785. He held several other political offices before he moved, in 1793, to New York where he devoted himself to civic and scientific matters.

INTERNAL SERVICE FUNDS
DESCRIPTIONS

Internal Service Funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the Commonwealth, or to other governmental units, on a cost-reimbursement basis.

Purchasing Fund — to account for the purchase of materials, supplies, motor vehicles and other equipment by the Department of General Services for the sale or lease to other Commonwealth departments, boards and commissions.

Manufacturing Fund — to account for the manufacture and sale of goods by inmates in the institutions of the Department of Corrections.

COMBINING BALANCE SHEET
INTERNAL SERVICE FUNDS

June 30, 1988

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	Purchasing	Manufacturing	Total
ASSETS			
Cash	$ 92	$ 311	$ 403
Temporary investments	5,888	3,481	9,369
Receivables, net:			
Accounts	27	. . . .	27
Accrued interest	39	18	57
Other	. . . .	18	18
Due from other funds	7,264	1,330	8,594
Due from other governments	950	11	961
Inventory	1,765	8,368	10,133
Fixed assets	26,329	10,583	36,912
Less: accumulated depreciation	(16,050)	(6,571)	(22,621)
Other assets	. . . .	6	6
TOTAL ASSETS	$ 26,304	$ 17,555	$ 43,859
LIABILITIES AND FUND EQUITY			
Liabilities:			
Accounts payable and accrued liabilities	$ 4,260	$ 1,825	$ 6,085
Due to other funds	7,839	149	7,988
Due to other governments	9	10	19
Other liabilities	. . . .	142	142
TOTAL LIABILITIES	12,108	2,126	14,234
Fund Equity:			
Contributed capital	8,917	. . . .	8,917
Retained earnings:			
Unreserved	5,279	15,429	20,708
TOTAL FUND EQUITY	14,196	15,429	29,625
TOTAL LIABILITIES AND FUND EQUITY	$ 26,304	$ 17,555	$ 43,859

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS INTERNAL SERVICE FUNDS

For the Fiscal Year Ended June 30, 1988

COMMONWEALTH OF PENNSYLVANIA

	(Expressed in Thousands)		
	Purchasing	Manufacturing	Total
OPERATING REVENUES:			
Sales and services	$ 57,905	$ 17,170	$ 75,075
Other		50	50
TOTAL OPERATING REVENUES	57,905	17,220	75,125
OPERATING EXPENSES:			
Cost of sales and services	$ 50,661	$ 15,636	$ 66,297
Depreciation	5,739	439	6,178
TOTAL OPERATING EXPENSES	56,400	16,075	72,475
OPERATING INCOME	1,505	1,145	2,650
NONOPERATING REVENUES (EXPENSES):			
Investment income	643	216	859
Interest expense	(55)	(19)	(74)
TOTAL NONOPERATING REVENUES, NET	588	197	785
NET INCOME	2,093	1,342	3,435
RETAINED EARNINGS, JULY 1, 1987	3,186	14,087	17,273
RETAINED EARNINGS, JUNE 30, 1988	$ 5,279	$ 15,429	$ 20,708

COMBINING STATEMENT OF CHANGES IN FINANCIAL POSITION
INTERNAL SERVICE FUNDS

For the Fiscal Year Ended June 30, 1988

COMMONWEALTH OF PENNSYLVANIA

	(Expressed in Thousands)		
	Purchasing	Manufacturing	Total
CASH PROVIDED FROM (USED FOR) OPERATIONS:			
Net income	$ 2,093	$ 1,342	$ 3,435
Items not using cash:			
Depreciation	5,739	439	6,178
	7,832	1,781	9,613
Decrease (increase) in receivables	(24)	47	23
Decrease (increase) in due from other funds	(69)	770	701
Decrease in due from other governments	172	38	210
Decrease (increase) in inventory	(390)	79	(311)
Increase (decrease) in accounts payable and accrued liabilities	1,137	(131)	1,006
Decrease in due to other funds	(136)	(13)	(149)
Increase (decrease) in due to other governments	(5)	1	(4)
TOTAL CASH PROVIDED FROM OPERATIONS	8,517	2,572	11,089
CASH PROVIDED FROM (USED FOR) INVESTMENT ACTIVITIES:			
Decrease in other current assets	. . . .	8	8
Decrease in other current liabilities	. . . .	(40)	(40)
Additions to fixed assets	(7,111)	(1,121)	(8,232)
NET CASH USED FOR INVESTMENT ACTIVITIES	(7,111)	(1,153)	(8,264)
INCREASE IN CASH AND TEMPORARY INVESTMENTS	1,406	1,419	2,825
CASH AND TEMPORARY INVESTMENTS, JULY 1, 1987	4,574	2,373	6,947
CASH AND TEMPORARY INVESTMENTS, JUNE 30, 1988	$ 5,980	$ 3,792	$ 9,772

Trust and Agency Funds

Massachusetts Signers of the Constitution:
Nathaniel Gorham
Rufus King

MASSACHUSETTS SIGNERS OF THE CONSTITUTION

Nathaniel Gorham 1738-1796 was born in Charlestown, Massachusetts. He was a fourth generation descendant of passengers on the Mayflower. He started his own business at age twenty-one, served as a public notary, and in several political positions including Speaker of the House of Representatives. In 1786 he was elected Chairman of the Continental Congress and later became its President after John Hancock resigned the post, owing to ill health.

Rufus King 1755-1827 was born in Scarboro, Maine, then a part of the Massachusetts Bay Colony. He was a 1777 graduate of Harvard and practiced law in Newburyport. He served in the state House of Representatives and in the Continental Congress where he is noted for his movements for the prohibition of slavery. In 1788 he moved to New York after being accused of being in the interest of that state and opposed to Massachusetts. There he became one of New York's first two Senators (1789). Other positions held include Director of the Bank of the U.S. (1791) and Minister to Great Britain (1796). He is a twice defeated Federalist Vice Presidential candidate (1804 & 1808) and also a defeated Presidential candidate (1816).

TRUST AND AGENCY FUNDS - DESCRIPTIONS

Trust and Agency Funds account for assets held by the Commonwealth in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include Expendable Trust Funds, Pension Trust Funds and Agency Funds.

EXPENDABLE TRUST FUNDS

Unemployment Compensation Fund — to account for the receipt of employer and employe contributions under the unemployment compensation law, for the payment of unemployment compensation benefits to eligible individuals, to transfer and receive monies from the Federal Unemployment Trust Fund and to pay the interest due on the Federal Unemployment Compensation Title XII Advances.

Workmen's Compensation Security Trust Fund — to account for the payment of claims for compensation provided by the Workmen's Compensation Law to individuals who are insured by an insolvent stock insurance company and for the administrative costs to administer the program.

Catastrophic Loss Trust Fund — to account for the payment of medical and rehabilitative expenditures in excess of $100,000 to residents of Pennsylvania injured in a motor vehicle accident.

Other — to account for financial assistance to public schools or State Universities for repairs or alterations to buildings needed to satisfy the standards of the Department of Labor and Industry and for reimbursement to aggrieved individuals upon judgments against any person licensed by the Real Estate Commission.

PENSION TRUST FUNDS

State Employes' Retirement System — to account for the payment of retirement, disability and death benefits to members of the State Employes' Retirement System and their beneficiaries.

Public School Employes' Retirement System — to account for the payment of retirement, disability and death benefits to members of the Public School Employes' Retirement System and their beneficiaries.

TRUST AND AGENCY FUNDS—DESCRIPTIONS

AGENCY FUNDS

Social Security Contribution Fund — to hold the employers' and employes' social security deductions of Commonwealth and local government or other instrumentality employes and to remit such collections to the Federal Government.

Statutory Liquidator Fund — to convert the assets of insolvent insurance companies into cash for distribution to creditors, policyholders and stockholders.

Fire Insurance Tax Fund — to collect a two-percent tax paid on premiums received from foreign (out-of-state) fire insurance companies conducting business in the Commonwealth and to distribute monies to local governments based on the amount of foreign fire insurance sold in their municipality. The municipalities must pay these monies to the relief, pension or retirement fund of their recognized fire fighting organization.

Municipal Pension Aid Fund — to collect a portion of the revenues from the Foreign Casualty Insurance Premium Tax and the Foreign Fire Insurance Premium Tax for distribution to municipalities for their distribution to the various municipal, police and fire pension funds.

Medical Professional Liability Catastrophe Loss Fund — to collect annual surcharges levied on health care providers to make available professional liability insurance at a reasonable cost to health care providers.

Other — to collect and administer funds from various sources for distribution to other governments and for the personal needs of patients and inmates at State institutions.

COMBINING BALANCE SHEET
TRUST AND AGENCY FUNDS

June 30, 1988

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	Expendable Trust Funds	Pension Trust Funds	Agency Funds	Total
ASSETS				
Cash	$ 854	$ 61	$ 4,014	$ 4,929
Cash with fiscal agents	1,122,745	. . . .	. . . .	1,122,745
Temporary investments	229,348	2,618,106	378,272	3,225,726
Long-term investments	179,513	16,580,208	4,438	16,764,159
Receivables, net:				
Taxes	351,476	. . . .	3,600	355,076
Accounts	5,430	. . . .	1,204	6,634
Accrued interest	5,826	210,272	2,118	218,216
Pension contributions	. . . .	211,286	. . . .	211,286
Other	. . . .	35,270	. . . .	35,270
Due from other funds	1,880	206,943	291	209,114
Due from other governments	8,166	13,375	13,778	35,319
Fixed assets	. . . .	5,469	. . . .	5,469
Less: accumulated depreciation	. . . .	(1,928)	. . . .	(1,928)
Other assets	. . . .	119,882	1,597	121,479
TOTAL ASSETS	$ 1,905,238	$19,998,944	$ 409,312	$22,313,494
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	$ 106,506	$ 65,996	$ 3,521	$ 176,023
Unsettled investment purchases	. . . .	123,558	. . . .	123,558
Tax refunds payable	3,434	. . . .	. . . .	3,434
Due to other funds	16	7,762	374	8,152
Due to other governments	2,206	. . . .	182,487	184,693
Other liabilities	. . . .	. . . .	222,930	222,930
Federal advances for unemployment compensation benefits	207,221	. . . .	. . . .	207,221
TOTAL LIABILITIES	319,383	197,316	409,312	926,011
Fund Balance:				
Reserved for:				
Encumbrances	103	. . . .	. . . .	103
Pension benefits	. . . .	19,801,628	. . . .	19,801,628
Other	. . . .	. . . .	. . . .	. . . .
Unreserved:				
Designated for:				
Other	86,757	. . . .	. . . .	86,757
Undesignated	1,498,995	. . . .	. . . .	1,498,995
TOTAL FUND BALANCES	1,585,855	19,801,628	. . . .	21,387,483
TOTAL LIABILITIES AND FUND BALANCES	$ 1,905,238	$19,998,944	$ 409,312	$22,313,494

COMBINING BALANCE SHEET
EXPENDABLE TRUST FUNDS

June 30, 1988

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	Unemployment Compensation	Workmen's Compensation Security Trust	Catastrophic Loss Trust	Other	Total
ASSETS					
Cash	$	$ 173	$ 668	$ 13	$ 854
Cash with fiscal agents	1,122,745	....	....	....	1,122,745
Temporary investments	88,599	57,593	81,097	2,059	229,348
Long-term investments	....	178,935	....	578	179,513
Receivables, net:					
Taxes	351,476	....	....	....	351,476
Accounts	....	....	5,430	....	5,430
Accrued interest	550	4,795	469	12	5,826
Due from other funds	1,879	....	....	1	1,880
Due from other governments	8,166	....	....	....	8,166
TOTAL ASSETS	$ 1,573,415	$ 241,496	$ 87,664	$ 2,663	$ 1,905,238
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	$ 38,618	$ 2,026	$ 65,862	$	$ 106,506
Tax refunds payable	3,434	....	....	....	3,434
Due to other funds	....	....	16	....	16
Due to other governments	2,205	....	1	....	2,206
Federal advances for unemployment compensation benefits	207,221	....	....	....	207,221
TOTAL LIABILITIES	251,478	2,026	65,879	....	319,383
Fund Balance:					
Reserved for:					
Encumbrances	....	....	....	103	103
Other	....	....	....	....	....
Unreserved:					
Designated for:					
Other	41,321	23,134	21,785	517	86,757
Undesignated	1,280,616	216,336	....	2,043	1,498,995
TOTAL FUND BALANCES	1,321,937	239,470	21,785	2,663	1,585,855
TOTAL LIABILITIES AND FUND BALANCES	$ 1,573,415	$ 241,496	$ 87,664	$ 2,663	$ 1,905,238

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES EXPENDABLE TRUST FUNDS

For the Fiscal Year Ended June 30, 1988

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	Unemployment Compensation	Workmen's Compensation Security Trust	Catastrophic Loss Trust	Other	Total
REVENUES:					
Taxes, penalties and interest	$ 6,717	$	$	$ 96	$ 6,813
Unemployment taxes	1,959,313	....	....	....	1,959,313
Licenses and fees	....	73	61,600	....	61,673
Investment income	22,791	23,699	5,984	194	52,668
Other	291	16	....	1	308
TOTAL REVENUES	1,989,112	23,788	67,584	291	2,080,775
EXPENDITURES:					
Current:					
General government	....	212	9,643	47	9,902
Protection of persons and property	....	3,698	38,161	107	41,966
Public health and welfare	916,036	....	....	....	916,036
Public education	....	....	....	25	25
Debt service:					
Interest and fiscal charges	46,783	....	542	13	47,338
TOTAL EXPENDITURES	962,819	3,910	48,346	192	1,015,267
REVENUES OVER EXPENDITURES	1,026,293	19,878	19,238	99	1,065,508
OTHER FINANCING SOURCES:					
Operating transfers in	....	....	....	10	10
NET OTHER FINANCING SOURCES	....	....	....	10	10
REVENUES AND OTHER SOURCES OVER EXPENDITURES	1,026,293	19,878	19,238	109	1,065,518
FUND BALANCES, JULY 1, 1987	295,644	219,592	2,547	2,554	520,337
FUND BALANCES, JUNE 30, 1988	$ 1,321,937	$ 239,470	$ 21,785	$ 2,663	$ 1,585,855

COMBINING BALANCE SHEET
PENSION TRUST FUNDS

June 30, 1988

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	State Employes' Retirement System (December 31, 1987)	Public School Employes' Retirement System	Total
ASSETS			
Cash	$ 4	$ 57	$ 61
Temporary investments	581,285	2,036,821	2,618,106
Long-term investments	6,584,512	9,995,696	16,580,208
Receivables, net:			
Accrued interest	72,024	138,248	210,272
Pension contributions	. . . .	211,286	211,286
Other	35,270	. . . .	35,270
Due from other funds	90,033	116,910	206,943
Due from other governments	13,375	. . . .	13,375
Fixed assets	74	5,395	5,469
Less: accumulated depreciation	(31)	(1,897)	(1,928)
Other assets	. . . .	119,882	119,882
TOTAL ASSETS	$ 7,376,546	$12,622,398	$19,998,944
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	$ 9,179	$ 56,817	$ 65,996
Unsettled investment purchases	. . . .	123,558	123,558
Due to other funds	282	7,480	7,762
TOTAL LIABILITIES	9,461	187,855	197,316
Fund Balance:			
Reserved for:			
Pension benefits	7,367,085	12,434,543	19,801,628
TOTAL FUND BALANCES	7,367,085	12,434,543	19,801,628
TOTAL LIABILITIES AND FUND BALANCES	$ 7,376,546	$12,622,398	$19,998,944

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES
PENSION TRUST FUNDS

For the Fiscal Year Ended June 30, 1988

COMMONWEALTH OF PENNSYLVANIA

	(Expressed in Thousands)		
	State Employes' Retirement System (December 31, 1987)	Public School Employes' Retirement System	Total
OPERATING REVENUES:			
Investment income	$ 223,382	$ 990,343	$ 1,213,725
Pension contributions	500,827	1,208,526	1,709,353
TOTAL OPERATING REVENUES	724,209	2,198,869	2,923,078
OPERATING EXPENSES:			
Cost of sales and services	4,811	9,571	14,382
Interest expense	. . . .	12,280	12,280
Depreciation	15	625	640
Benefit payments and refunds	482,584	764,918	1,247,502
TOTAL OPERATING EXPENSES	487,410	787,394	1,274,804
OPERATING INCOME	236,799	1,411,475	1,648,274
OPERATING TRANSFERS:			
Operating transfers in	12,697	2,760	15,457
Operating transfers out	(2,685)	(21,092)	(23,777)
TOTAL OPERATING TRANSFERS	10,012	(18,332)	(8,320)
NET INCOME	246,811	1,393,143	1,639,954
FUND BALANCES, JULY 1, 1987	7,120,274	11,041,400	18,161,674
FUND BALANCES, JUNE 30, 1988	$ 7,367,085	$12,434,543	$19,801,628

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS

For the Fiscal Year Ended June 30, 1988

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	Balance July 1, 1987	Additions	Deductions	Balance June 30, 1988
SOCIAL SECURITY CONTRIBUTION FUND				
ASSETS				
Cash	$ 2	$ 56,595	$ 56,596	$ 1
Temporary investments	16,271	41,529	43,563	14,237
Receivables, net:				
Accrued interest	85	1,138	1,140	83
Due from other funds	9,700	. . . .	9,700	. . . .
Due from other governments	580	15,390	2,192	13,778
TOTAL ASSETS	$ 26,638	$ 114,652	$ 113,191	$ 28,099
LIABILITIES				
Due to other governments	$ 26,638	$ 16,528	$ 15,067	$ 28,099
TOTAL LIABILITIES	$ 26,638	$ 16,528	$ 15,067	$ 28,099
STATUTORY LIQUIDATOR FUND				
ASSETS				
Cash	$ 1	$ 8,081	$ 8,077	$ 5
Temporary investments	35,378	90,145	80,417	45,106
Long-term investments	13,547	522	10,080	3,989
Receivables, net:				
Accounts	199	361	386	174
Accrued interest	799	219	805	213
Other assets	68	79	102	45
TOTAL ASSETS	$ 49,992	$ 99,407	$ 99,867	$ 49,532
LIABILITIES				
Other liabilities	$ 49,992	$ 6,732	$ 7,192	$ 49,532
TOTAL LIABILITIES	$ 49,992	$ 6,732	$ 7,192	$ 49,532

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS — (continued)

For the Fiscal Year Ended June 30, 1988

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	Balance July 1, 1987	Additions	Deductions	Balance June 30, 1988
FIRE INSURANCE TAX FUND				
ASSETS				
Cash	$ 2	$ 81,751	$ 81,751	$ 2
Temporary investments	39,205	42,444	39,518	42,131
Receivables, net:				
Accrued interest	203	243	203	243
TOTAL ASSETS	$ 39,410	$ 124,438	$ 121,472	$ 42,376
LIABILITIES				
Due to other funds	$ 203	$ 243	$ 203	$ 243
Due to other governments	39,207	42,054	39,128	42,133
TOTAL LIABILITIES	$ 39,410	$ 42,297	$ 39,331	$ 42,376
MUNICIPAL PENSION AID FUND				
ASSETS				
Cash	$ 5	$ 112,014	$ 112,017	$ 2
Temporary investments	91,654	108,508	98,323	101,839
Receivables, net:				
Accrued interest	472	3,506	3,385	593
Due from other funds	272	291	272	291
TOTAL ASSETS	$ 92,403	$ 224,319	$ 213,997	$ 102,725
LIABILITIES				
Due to other governments	$ 92,403	$ 107,663	$ 97,341	$ 102,725
TOTAL LIABILITIES	$ 92,403	$ 107,663	$ 97,341	$ 102,725
MEDICAL PROFESSIONAL LIABILITY CATASTROPHE LOSS FUND				
ASSETS				
Cash	$ 2,685	$ 321,144	$ 323,797	$ 32
Temporary investments	116,357	181,744	140,925	157,176
Receivables, net:				
Accounts	2,189	693	2,189	693
Accrued interest	592	9,523	9,223	892
TOTAL ASSETS	$ 121,823	$ 513,104	$ 476,134	$ 158,793
LIABILITIES				
Accounts payable and accrued liabilities	$ 669	$ 2,143	$ 878	$ 1,934
Due to other funds	53	23	53	23
Due to other governments	2	75	74	3
Other liabilities	121,099	176,787	141,053	156,833
TOTAL LIABILITIES	$ 121,823	$ 179,028	$ 142,058	$ 158,793

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS — (continued)

For the Fiscal Year Ended June 30, 1988

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	Balance July 1, 1987	Additions	Deductions	Balance June 30, 1988
OTHER FUNDS				
ASSETS				
Cash	$ 3,794	$ 72,885	$ 72,707	$ 3,972
Temporary investments	18,305	34,899	35,421	17,783
Long-term investments	510	120	181	449
Receivables, net:				
Taxes	3,378	3,600	3,378	3,600
Accounts	198	337	198	337
Accrued interest	58	94	58	94
Other assets	1,284	670	402	1,552
TOTAL ASSETS	$ 27,527	$ 112,605	$ 112,345	$ 27,787
LIABILITIES				
Accounts payable and accrued liabilities	$ 1,298	$ 1,587	$ 1,298	$ 1,587
Due to other funds	59	118	69	108
Due to other governments	9,093	32,281	31,847	9,527
Other liabilities	17,077	1,811	2,323	16,565
TOTAL LIABILITIES	$ 27,527	$ 35,797	$ 35,537	$ 27,787
TOTAL — ALL FUNDS				
ASSETS				
Cash	$ 6,489	$ 652,470	$ 654,945	$ 4,014
Temporary investments	317,170	499,269	438,167	378,272
Long-term investments	14,057	642	10,261	4,438
Receivables, net:				
Taxes	3,378	3,600	3,378	3,600
Accounts	2,586	1,391	2,773	1,204
Accrued interest	2,209	14,723	14,814	2,118
Due from other funds	9,972	291	9,972	291
Due from other governments	580	15,390	2,192	13,778
Other assets	1,352	749	504	1,597
TOTAL ASSETS	$ 357,793	$1,188,525	$1,137,006	$ 409,312
LIABILITIES				
Accounts payable and accrued liabilities	$ 1,967	$ 3,730	$ 2,176	$ 3,521
Due to other funds	315	384	325	374
Due to other governments	167,343	198,601	183,457	182,487
Other liabilities	188,168	185,330	150,568	222,930
TOTAL LIABILITIES	$ 357,793	$ 388,045	$ 336,526	$ 409,312

General Fixed Assets Account Group

New Hampshire
Signers of the Constitution:
Nicholas Gilman
John Langdon

NEW HAMPSHIRE SIGNERS OF THE CONSTITUTION

Nicholas Gilman 1755-1814 was born in Exeter, New Hampshire. He was educated in the common schools of Exeter. He entered the military in 1776 where he served in various capacities for nine years. Following this he served in his state Congress and Senate and by 1804 in the U.S. Senate as a Jefferson Republican until his death.

John Langdon 1741-1819 was born on farm property near Portsmouth, New Hampshire. He was sent to the school of Major Samuel Hale where he learned Latin. He spent forty years of his life in the "whirlpool of politics" which included terms as President of New Hampshire, President of the U.S. Senate, Speaker of the New Hampshire House of Representatives, and Governor of New Hampshire. In 1812 he was nominated as a candidate for the U.S. Presidency but declined owing to his health, advanced age, and a longing for the "sweets of retirement."

GENERAL FIXED ASSETS ACCOUNT GROUP DESCRIPTION

The General Fixed Assets Account Group is maintained to account for fixed assets acquired or constructed for general government purposes. These include all fixed assets except those accounted for in Proprietary and Pension Trust Funds and College and University Funds.

SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS BY SOURCE

For the Fiscal Year Ended June 30, 1988

COMMONWEALTH OF PENNSYLVANIA

	(Expressed in Thousands)			
	Balance July 1, 1987	Additions	Retirements	Balance June 30, 1988
GENERAL FIXED ASSETS:				
Land	$ 201,223	$ 221	$ 337	$ 201,107
Buildings	1,855,909	95,915	28,317	1,923,507
Improvements other than buildings	120,191	19,239	1,194	138,236
Furniture, machinery and equipment	372,339	54,335	45,701	380,973
	2,549,662	169,710	75,549	2,643,823
Construction in progress	132,056	90,371	97,785	124,642
Total General Fixed Assets	$2,681,718	$ 260,081	$ 173,334	$2,768,465
INVESTMENT IN GENERAL FIXED ASSETS:				
Acquired on or before June 30, 1986	$2,236,292	$ 56	$ 67,599	$2,168,749
Acquired after June 30, 1986 from:				
General fund revenues	13,399	53,801	867	66,333
General obligation bonds	241,664	93,351	7,083	327,932
Federal grants	8,439	2,086	. . . .	10,525
Special revenue funds	43,975	18,926	. . . .	62,901
Donations	5,893	1,490	. . . .	7,383
Total Sources	2,549,662	169,710	75,549	2,643,823
Construction in progress	132,056	90,371	97,785	124,642
Total Investment in General Fixed Assets	$2,681,718	$ 260,081	$ 173,334	$2,768,465

Sources of General Fixed Assets acquired on or before June 30, 1986 are not available.

SCHEDULE OF GENERAL FIXED ASSETS BY FUNCTION AND ACTIVITY

June 30, 1988

COMMONWEALTH OF PENNSYLVANIA

Expressed in Thousands

FUNCTION AND ACTIVITY	Land	Buildings	Improvements Other Than Buildings	Furniture, Machinery And Equipment	Total
General government	$ 5,668	$ 369,328	$ 22,937	$ 30,853	$ 428,786
Protection of persons and property	6,145	306,633	37,988	33,770	384,536
Public health and welfare	3,166	599,189	17,388	76,795	696,538
Public education	17,452	541,859	42,443	5,473	607,227
Conservation of natural resources	166,001	51,648	10,837	20,246	248,732
Economic development and assistance	. . . .	. . . .	. . . .	144	144
Transportation	2,675	54,850	6,643	213,692	277,860
TOTALS ALLOCATED TO FUNCTIONS AND ACTIVITIES	$ 201,107	$1,923,507	$ 138,236	$ 380,973	2,643,823
Construction in progress					124,642
TOTAL GENERAL FIXED ASSETS					$2,768,465

SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS BY FUNCTION AND ACTIVITY

For the Fiscal Year Ended June 30, 1988

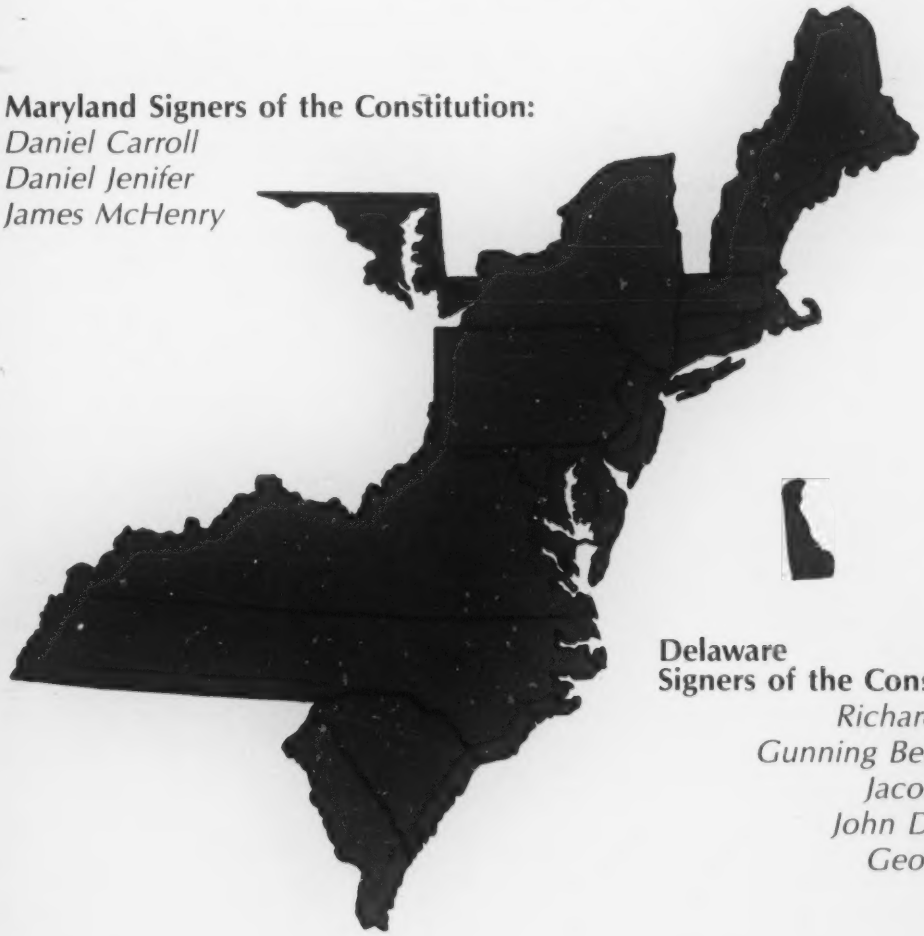
COMMONWEALTH OF PENNSYLVANIA

Expressed in Thousands

	Balance July 1, 1987	Additions	Retirements	Transfers In	Transfers Out	Balance June 30, 1988
General government	$ 437,184	$ 16,443	$ 24,286	$ 2,138	$ 2,693	$ 428,786
Protection of persons and property	343,016	71,702	29,813	. . . .	369	384,536
Public health and welfare	668,278	46,888	18,630	2	. . . .	696,538
Public education	602,761	5,940	1,497	23	. . . .	607,227
Conservation of natural resources	236,313	10,371	60	2,108	. . . .	248,732
Economic development and assistance	144	. . . .	. . . .	. . . .	. . . .	144
Transportation	261,966	18,366	1,263	79	1,288	277,860
	2,549,662	169,710	75,549	4,350	4,350	2,643,823
Contruction in progress	132,056	90,371	97,785	. . . .	. . . .	124,642
TOTALS	$2,681,718	$ 260,081	$ 173,334	$ 4,350	$ 4,350	$2,768,465

College and University Funds

Maryland Signers of the Constitution:
Daniel Carroll
Daniel Jenifer
James McHenry



Delaware
Signers of the Constitution:
Richard Bassett
Gunning Bedford, Jr.
Jacob Broom
John Dickinson
George Read

MARYLAND SIGNERS OF THE CONSTITUTION

Daniel Carroll 1730-1796 was born in Upper Marlboro, Maryland and was educated at Saint Omer's in Flanders. He began his political career in 1781 when he was elected a Maryland delegate to the Continental Congress. He was one of three men selected by President Washington to make surveys needed for "The Territory of Columbia," and provide arrangements for Congress to transfer there in 1800. He served in this capacity from 1791 to 1795.

Daniel of Saint Thomas Jenifer 1723-1790 was born in Charles County, Maryland and was given a good education. He turned to the cause of the colonists in 1775 and was chosen President of the Maryland Council of Safety. From 1777 to 1781 he served as President of the state Senate of Maryland. He also served in the Continental Congress from 1778 to 1781. He was Intendant of Revenue or financial agent for Maryland from 1782 until the office was abolished in 1785.

James McHenry 1753-1816 was born in Ireland and received a classical education in Dublin. He emigrated to Philadelphia, Pennsylvania in 1771, continued his studies at Newark Academy, and then, as a medical student in Philadelphia. He became a surgeon in the American army and was elected to the Maryland Senate in 1781. He served in this post through 1786. Following the Federal Convention, he was elected to the state Assembly and later sent to the state Senate. In 1796 he was appointed, by George Washington, as Secretary of War and served in this capacity until 1800.

DELAWARE SIGNERS OF THE CONSTITUTION

Richard Bassett 1745-1815 was born in Cecil County, Maryland. Having been deserted by his father, he was adopted by Peter Lawson, a relative. His political career began in 1776 when he was chosen for the state Constitutional Convention and was also a member of the Council for Safety for Kent. He was the other of Delaware's first two U.S. Senators and held this post until 1793. He was Governor of Delaware from 1779 to 1801. In 1801 he was appointed a Circuit Judge of the U.S. Court and served in this capacity until this judgeship was terminated by the repeal of the Judiciary Act.

Gunning Bedford, Jr. 1745-1815 was born in Philadelphia, Pennsylvania and was a 1771 graduate of Princeton. He studied law in Pennsylvania and, after being admitted to the bar, he began his practice in Dover, Delaware. He was appointed Attorney General of Delaware in 1778 and served in that capacity until 1790. In addition he served in the Continental Congress from 1783 to 1785. In 1789 he was a presidential elector and, under the new government, President Washington appointed him as the first judge of the U.S. District Court for the District of Delaware.

Jacob Broom 1752-1810 was born in Wilmington, Delaware, schooled there and later became a surveyor. He also dealt in real estate. In 1776 he was elected assistant or second burgess of the Borough of Wilmington and served for six terms, during four of which he was chief burgess. He was later appointed Justice of the Peace for New Castle County.

John Dickinson 1732-1808 was born in Talbot County, Maryland. He had private tutors in his youth and studied law. In 1753 he completed his legal education in London and in 1757 returned to Philadelphia, Pennsylvania where he began his law practice. His political career included appointments and membership in both Delaware and Pennsylvania Assemblies at alternating times. His name was signed to the Constitution by proxy made to George Read.

George Read 1733-1798 was born in Cecil County, Delaware and at a young age moved with his family to New Castle, Delaware. He was given a classical education at Chester, Pennsylvania and after studying law, was admitted to the Philadelphia bar in 1753. In 1754 he moved back to New Castle and by 1763 he was appointed Attorney General for his county. From 1779 to 1780 he was a member of the Assembly House of Representatives. He was one of Delaware's first two U.S. Senators under the Constitution and upon resigning his seat in 1793 he became Chief Justice of Delaware until his death.

COLLEGE AND UNIVERSITY FUNDS
DESCRIPTION

The College and University Funds, which comprise the State System of Higher Education, are used to account for the transactions relating to the Office of the Chancellor and the state-owned universities of the Commonwealth.

The state-owned universities of the Commonwealth are as follows:

Bloomsburg University
California University
Cheyney University
Clarion University
East Stroudsburg University
Edinboro University
Indiana University of Pennsylvania
Kutztown University
Lock Haven University
Mansfield University
Millersville University
Shippensburg University
Slippery Rock University
West Chester University

COMBINING BALANCE SHEET
College and University Funds

June 30, 1988

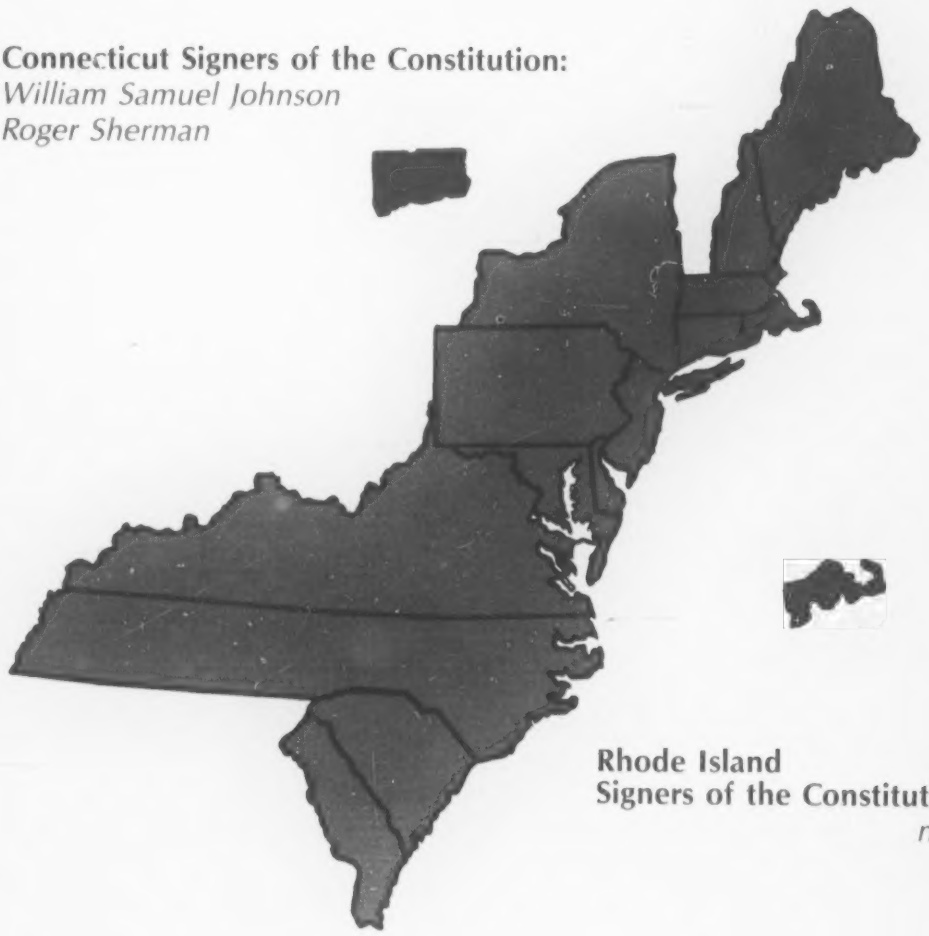
COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	Current Funds				Plant Funds					
	Unrestricted	Restricted	Loan Funds	Endowment and Similar Funds	Unexpended	Renewal and Replacement	Retirement of Indebtedness	Investment in Plant	Agency	Totals
ASSETS										
Cash	$ 6,716	$	$	$	$ 1	$	$	$	$	$ 6,717
Temporary investments	117,771	....	....	....	25,049	....	....	....	....	142,820
Long-term investments	14	209	197	2,982	1,158	....	5,927	....	....	10,487
Receivables, net:										
Accounts	5,198	6,245	....	....	....	....	....	....	143	11,586
Accrued interest	....	....	....	....	2	....	....	....	....	2
Loans	....	....	18,157	....	....	....	....	....	....	18,157
Other	1,893	....	....	....	472	....	....	....	....	2,365
Due from other funds	....	2,652	1,088	1,047	10,300	17,822	....	....	3,571	36,480
Inventory	3,962	....	....	....	....	....	....	....	....	3,962
Fixed assets	....	....	....	....	7,697	....	....	283,276	....	290,973
Other assets	11,687	....	....	....	453	....	....	....	....	12,140
TOTAL ASSETS	$ 147,241	$ 9,106	$ 19,442	$ 4,029	$ 45,132	$ 17,822	$ 5,927	$ 283,276	$ 3,714	$ 535,689
LIABILITIES AND FUND EQUITY										
Liabilities:										
Accounts payable and accrued liabilities	$ 56,896	$ 1,301	$	$	$ 2,033	$ 1,181	$ 494	$ 5,675	$ 24	$ 67,604
Due to other funds	41,814	....	....	....	....	....	3,179	....	....	44,993
Deferred revenue	17,605	....	....	....	....	....	....	....	....	17,605
Notes payable	....	....	....	....	....	....	....	3,740	....	3,740
Other liabilities	1,188	222	2	....	2,378	....	....	....	3,690	7,480
Capital lease obligations	....	....	....	....	30,870	....	....	29,215	....	60,085
TOTAL LIABILITIES	117,503	1,523	2	....	35,281	1,181	3,673	38,630	3,714	201,507
Fund Equity:										
Investment in fixed assets	....	....	....	....	....	....	....	244,646	....	244,646
Fund Balance:										
Reserved for:										
Encumbrances	8,925	338	....	....	....	....	....	....	....	9,263
Loans	....	....	19,440	....	....	....	....	....	....	19,440
Endowment and similar funds	4,099	....	....	4,029	....	....	....	....	....	8,128
Restricted fund balance	....	7,245	....	....	697	10,840	983	....	....	19,765
Other	13,775	....	....	....	....	....	....	....	....	13,775
Unreserved:										
Undesignated	2,939	....	....	....	9,154	5,801	1,271	....	....	19,165
TOTAL FUND EQUITY	29,738	7,583	19,440	4,029	9,851	16,641	2,254	244,646	....	334,182
TOTAL LIABILITIES AND FUND EQUITY	$ 147,241	$ 9,106	$ 19,442	$ 4,029	$ 45,132	$ 17,822	$ 5,927	$ 283,276	$ 3,714	$ 535,689

Statistical Section

Connecticut Signers of the Constitution:
William Samuel Johnson
Roger Sherman



Rhode Island
Signers of the Constitution:
none

CONNECTICUT SIGNERS OF THE CONSTITUTION

William Samuel Johnson 1727-1819 was born in Stratford, Connecticut. Prepared by his father, he entered Yale in 1740, when he was just thirteen. He graduated third in his class of fifteen in 1744. He established a successful law practice in 1749 and participated in many political activities within and for his state versus England and versus Pennsylvania over territory disputes. In 1784 he was appointed to the Continental Congress. There he was extremely active in committee work. As a delegate to the convention he was also very active as a framer. Upon his death it was written that the gratitude of the American people to him for his work in forming the Constitution and toward the establishment of the new government should never cease. Of all the signers, he was the oldest (ninety-two) at the time of his death.

Roger Sherman 1721-1793 was born in Newton, Massachusetts. He is the only one of our country's founders who signed the four major documents which led up to and established the United States of America -- the American Association, the Declaration of Independence, the Articles of Confederation, and the Constitution. His self-taught skill in mathematics earned him an appointment as a surveyor and later he studied law and became a lawyer. In 1775 he was appointed as a representative in the Connecticut General Assembly. From 1766 to 1789 he served as judge of the Connecticut Superior Court, and from 1765 to 1776 as treasurer of Yale College. Many of his political activities from then on were on committees and in close contact with John Adams.

RHODE ISLAND

Rhode Island was the only state not represented at the Federal Convention. A committee of thirteen citizens, however, wrote to the chairman of the Philadelphia Convention on behalf of the merchants, tradesmen, and others concerned in Providence. They regretted the failure of their state to send delegates and pledged their support for the results of the assembly voting. This letter was read in Congress, following the approval of rules, and tabled.

REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUND TYPES[1]

TABLE 1

For the Last Ten Fiscal Years Ended June 30[2]

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988
REVENUES BY SOURCE										
Taxes, penalties and interest	$ 6,321,208	$ 6,780,404	$ 7,084,529	$ 7,584,306	$ 7,854,895	$ 9,122,306	$ 9,551,576	$ 9,970,214	$10,652,020	$10,888,272
Licenses and fees	388,316	391,929	436,152	507,829	477,592	504,439	524,927	540,234	564,781	588,526
Intergovernmental	1,971,400	2,121,994	2,370,695	2,739,962	2,895,041	3,071,788	3,490,865	3,745,396	3,751,334	3,873,583
Charges for sales and services	426,245	493,535	535,380	486,248	597,431	343,062	480,759	530,519	486,243	536,175
Investment income	84,668	146,873	139,928	139,723	99,689	134,141	203,872	195,202	194,900	193,945
Lottery receipts, net of prizes through 1986	155,612	173,330	188,509	240,727	394,697	540,017	593,115	557,481	1,341,631[3]	1,472,311[3]
Other	251,544	229,729	299,741	124,218	135,678	129,727	122,191	231,346	185,341	153,580
TOTAL REVENUES	$ 9,598,993	$10,337,794	$11,054,934	$11,823,013	$12,455,023	$13,845,480	$14,967,305	$15,770,392	$17,176,250	$17,706,392
EXPENDITURES BY FUNCTION										
General government	$ 711,389	$ 963,915	$ 858,193	$ 692,970	$ 798,991	$ 906,842	$ 829,609	$ 803,909	$ 1,516,385[3]	$ 1,741,126[3]
Protection of persons and property	616,507	659,468	680,383	499,306	627,369	693,043	778,897	911,957	948,562	1,021,668
Public health and welfare	3,570,060	3,953,183	4,248,058	4,954,202	5,228,634	5,295,688	5,686,873	6,231,705	6,360,862	6,704,892
Public education	2,990,594	3,067,323	3,357,128	3,456,007	3,632,541	3,720,818	4,063,157	4,122,935	4,395,740	4,761,170
Conservation of natural resources	134,623	139,899	143,215	164,196	179,201	179,604	257,112	299,010	305,599	334,833
Economic development and assistance	74,565	70,565	98,099	94,021	113,304	164,791	158,107	187,614	206,355	346,037
Transportation	895,423	908,364	1,263,048	1,427,393	1,501,886	1,474,704	1,843,703	2,053,335	2,114,625	2,171,964
Capital outlay	137,717	78,595	104,102	173,074	175,401	157,946	345,881	463,671	476,118	274,336
Debt Service:										
Principal retirement	106,510	115,505	123,745	317,397	490,096	386,310	759,471	1,186,619	659,548	482,277
Interest and fiscal charges	227,228	245,862	244,209	350,224	178,987	346,924	358,358	407,066	405,701	408,968
TOTAL EXPENDITURES	$ 9,464,616	$10,202,679	$11,120,180	$12,128,790	$12,926,410	$13,326,670	$15,081,168	$16,667,821	$17,389,495	$18,247,271

(1) Includes General, Special Revenue, Debt Service and Capital Projects Funds

(2)(a) 1979 - 1981 data is on non-GAAP budgetary basis

(b) 1982 - 1988 data is on GAAP basis

(3) Prior to 1987, revenue and expenditures for lottery receipts and general government, respectively, were reported net of retailer commissions and retailer-paid prizes.

NET BONDED DEBT PER CAPITA

TABLE 2

For the Last Ten Fiscal Years

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands Except Debt Per Capita)

For The Fiscal Year Ended June 30	Net Bonded Debt	Population	Debt Per Capita
1978	$4,808,295	11,865	$405
1979	4,721,474	11,874	398
1980	4,623,848	11,865	390
1981	4,578,163	11,878	385
1982	4,450,236	11,879	375
1983	4,487,011	11,889	377
1984	4,483,573	11,887	377
1985	4,535,008	11,864	382
1986	4,529,393	11,889	381
1987	4,558,839	11,936	382

SOURCE: Population Information — U.S. Department of Commerce, Bureau of the Census

RATIO OF ANNUAL DEBT SERVICE REQUIREMENTS FOR GENERAL BONDED DEBT TO TOTAL GENERAL FUND EXPENDITURES

TABLE 3

For the Last Ten Fiscal Years

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands Except Percentage)

For The Fiscal Year Ended June 30	Debt Service Requirements Funded by General Fund	Budgetary Basis General Fund Expenditures (1)	%
1979	$ 243,483	$ 7,439,007	3.27
1980	264,145	8,005,039	3.30
1981	275,056	8,595,628	3.20
1982	303,713	9,361,800	3.24
1983	301,727	10,038,371	3.00
1984	341,413	10,436,777	3.27
1985	359,200	11,223,622	3.20
1986	350,195	11,781,951	2.97
1987	371,702	12,395,674	3.00
1988	393,907	13,180,073	2.98

(1) Excludes encumbrances included as "Total Expenditures" in the Statement of Revenues, Expenditures and Changes in Unreserved/Undesignated Fund Balances — Budget and Actual (Budgetary Basis).

COMPUTATION OF LEGAL DEBT MARGIN

TABLE 4

August 31, 1988

COMMONWEALTH OF PENNSYLVANIA

Average annual tax revenues deposited in the previous five fiscal years	$12,086,623,274
Constitutional factor	x 1.75
Constitutional debt limit for debt incurred without the approval of the electors	21,151,590,729
Less outstanding net debt (non electorate approved)	3,966,240,353
Legal debt margin	$17,185,350,376

The formula for the legal debt limit is contained in Article VIII, Section 7(a) of the Pennsylvania Constitution, which provides:

No debt shall be incurred by or on behalf of the Commonwealth except by law and in accordance with the provisions of this section.

(1) Debt may be incurred without limit to suppress insurrection, rehabilitate areas affected by man-made or natural disaster, or to implement unissued authority approved by the electors prior to the adoption of this article.

(2) The Governor, State Treasurer and Auditor General, acting jointly, may (i) issue tax anticipation notes having a maturity within the fiscal year of issue and payable exclusively from revenues received in the same fiscal year, and (ii) incur debt for the purpose of refunding other debt, if such refunding debt matures within the term of the original debt.

(3) Debt may be incurred without limit for purposes specifically itemized in the law authorizing such debt, if the question whether the debt shall be incurred has been submitted to the electors and approved by a majority of those voting on the question.

(4) Debt may be incurred without the approval of the electors for capital projects specifically itemized in a capital budget if such debt will not cause the amount of all net debt outstanding to exceed one and three-quarters times the average of the annual tax revenues deposited in the previous five fiscal years as certified by the Auditor General. For the purposes of this subsection, debt outstanding shall not include debt incurred under clauses (1) and (2)(i), or debt incurred under clause (2)(ii) if the original debt would not be so considered, or debt incurred under subsection (3) unless the General Assembly shall so provide in the law authorizing such debt.

The figures above are abstracted from a certification of the Auditor General dated August 31, 1988 contained in the Official Statement for $240,615,000 Commonwealth of Pennsylvania General Obligation Bonds issued October 15, 1988.

SCHEDULE OF REVENUE BOND COVERAGE

TABLE 5

For the Last Ten Fiscal Years

COMMONWEALTH OF PENNSYLVANIA

Pennsylvania Turnpike Commission

(Expressed in Thousands)

For the Fiscal Year Ended May 31	Gross Revenues	Direct Operating Expenses	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
1979	$110,927	$ 52,457	$ 58,470	$ 19,570	$ 5,450	$ 25,020	2.34
1980	115,427	54,469	60,958	22,948	5,450	28,398	2.15
1981	121,622	60,898	60,724	5,978	4,627	10,605	5.73
1982	132,046	67,625	64,421	9,680	4,381	14,061	4.58
1983	131,083	72,985	58,098	7,349	4,120	11,469	5.07
1984	144,815	78,287	66,528	5,352	3,812	9,164	7.26
1985	154,542	82,230	72,312	6,451	3,604	10,055	7.19
1986	162,539	93,648	68,891	4,662	3,381	8,043	8.57
1987	180,692	101,692	79,000	2,299	46,500	48,799	1.62
1988	221,807	100,875	120,932	3,225	53,300	56,525	2.14

Pennsylvania Industrial Development Authority

(Expressed in Thousands)

For the Fiscal Year Ended June 30	Gross Revenues	Direct Operating Expenses	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
1979	$10,057	$ 666	$ 9,391	$ 4,500	$ 5,448	$ 9,948	.94
1980	13,981	515	13,466	5,500	5,464	10,964	1.23
1981	15,872	884	14,988	5,755	5,119	10,874	1.38
1982	16,064	1,009	15,055	5,800	4,756	10,556	1.43
1983	19,058	1,211	17,847	5,655	8,933	14,588	1.22
1984	21,775	1,662	20,113	5,630	9,537	15,167	1.33
1985	24,658	1,783	22,875	6,735	13,167	19,902	1.15
1986	23,320	1,897	21,423	7,910	13,359	21,269	1.01
1987	23,370	1,574	21,796	8,620	12,433	21,053	1.04
1988	25,479	1,765	23,714	8,525	11,257	19,782	1.20

Pennsylvania Housing Finance Agency

(Expressed in Thousands)

For the Fiscal Year Ended June 30	Gross Revenues	Direct Operating Expenses	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest[a]	Total	
1979	$ 41,330	$ 8,610	$ 32,720	$ 814	$ 25,468	$ 26,282	1.25
1980	57,839	10,998	46,841	1,237	31,341	32,578	1.44
1981	68,427	15,223	53,204	1,951	37,785	39,736	1.34
1982	77,773	18,068	59,705	3,522	42,347	45,869	1.30
1983	109,023	18,793	90,230	3,440	77,010	80,450	1.12
1984	119,389	12,160	107,229	8,293	94,305	102,598	1.05
1985	146,205	10,686	135,519	8,180	119,420	127,600	1.06
1986	168,441	8,438	160,003	13,386	142,332	155,718	1.03
1987	159,034	8,088	150,946	14,987	136,625	151,612	1.00
1988	162,172	8,593	153,579	15,960	138,508	154,468	.99

[a] Excludes interest on notes payable.

ANNUAL ESTIMATES OF THE RESIDENT POPULATION — PENNSYLVANIA COMPARED TO THE UNITED STATES

TABLE 6

For the Last Ten Calendar Years

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands Except Percentage)

Calendar Year	United States	Pennsylvania	%
1978	222,095	11,865	5.3
1979	224,567	11,874	5.3
1980	226,545	11,865	5.2
1981	229,518	11,878	5.2
1982	231,786	11,879	5.1
1983	234,023	11,889	5.1
1984	236,495	11,887	5.0
1985	238,740	11,864	5.0
1986	241,077	11,889	4.9
1987	243,400	11,936	4.9

SOURCE: U.S. Department of Commerce, Bureau of the Census

STATE BANKING INSTITUTIONS
DEMAND DEPOSITS AND TIME AND SAVINGS DEPOSITS

TABLE 7

For the Last Ten Calendar Years

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

Calendar Year	Demand Deposits	Time and Savings Deposits
1978	$6,071,285	$25,246,714
1979	6,387,518	27,374,973
1980	7,734,878	32,192,294
1981	6,673,295	34,871,097
1982	6,489,537	38,144,921
1983	6,606,723	42,982,476
1984	5,263,282	39,356,857
1985	5,728,297	42,322,007
1986	6,632,325	45,351,526
1987	6,443,804	47,556,165

SOURCE: Pennsylvania Department of Banking

RESIDENT EMPLOYMENT, UNEMPLOYMENT AND UNEMPLOYMENT RATE — PENNSYLVANIA COMPARED TO THE UNITED STATES

TABLE 8

For the Last Ten Calendar Years

COMMONWEALTH OF PENNSYLVANIA

(Expressed in Thousands)

	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
PENNSYLVANIA										
Civilian labor force	5,306	5,360	5,435	5,484	5,489	5,505	5,479	5,527	5,634	5,648
Employment	4,938	4,990	5,010	5,026	4,889	4,855	4,981	5,084	5,248	5,328
Unemployment	368	370	425	458	600	650	498	443	386	320
Rate %	6.9	6.9	7.8	8.4	10.9	11.8	9.1	8.0	6.8	5.7
UNITED STATES										
Civilian labor force	102,251	104,962	106,940	108,670	110,204	111,550	113,544	115,461	117,835	119,865
Employment	96,048	98,824	99,303	100,397	99,526	100,834	105,005	107,150	109,598	112,440
Unemployment	6,203	6,138	7,637	8,273	10,678	10,716	8,539	8,311	8,237	7,425
Rate %	6.1	5.8	7.1	7.6	9.7	9.6	7.5	7.2	7.0	6.2

SOURCE: Pennsylvania Department of Labor and Industry, Bureau of Employment Security

TOTAL PERSONAL INCOME AND PER CAPITA PERSONAL INCOME— PENNSYLVANIA COMPARED TO THE UNITED STATES

TABLE 9

For the Last Ten Calendar Years

COMMONWEALTH OF PENNSYLVANIA

Calendar Year	TOTAL PERSONAL INCOME (Millions of Dollars)			PER CAPITA PERSONAL INCOME (Dollars)		
	United States	Pennsylvania	%	United States	Pennsylvania	%
1978	1,806,968	96,219	5.3	8,136	8,110	99.7
1979	2,028,510	106,803	5.3	9,033	8,995	99.6
1980	2,254,076	117,445	5.2	9,919	9,893	99.7
1981	2,514,231	129,113	5.1	10,949	10,869	99.3
1982	2,663,432	135,945	5.1	11,480	11,440	99.7
1983	2,834,385	142,183	5.0	12,098	11,953	98.8
1984	3,101,163	151,386	4.9	13,114	12,730	97.1
1985	3,317,239	161,029	4.9	13,895	13,573	97.7
1986	3,521,393	169,857	4.8	14,606	14,281	97.7
1987	3,768,125	181,565	4.8	15,481	15,212	98.3

SOURCE: U.S. Department of Commerce, Bureau of Economic Analysis.

THIRTY LARGEST NONGOVERNMENTAL EMPLOYERS

TABLE 10

For the Calendar Year 1987

COMMONWEALTH OF PENNSYLVANIA

EMPLOYER	RANK
Sears Roebuck and Company	1
Westinghouse Electric Corporation	2
The Bell Telephone Co. of Pennsylvania	3
General Electric Company	4
K Mart Corporation	5
Acme Markets, Inc.	6
University of Pittsburgh	7
J. C. Penney Co., Inc.	8
Trustees of the University of Pennsylvania	9
The Prudential Insurance Co. of America	10
Philadelphia Electric Co.	11
Bethlehem Steel Corporation	12
Temple University	13
Weis Markets Incorporated	14
Strawbridge & Clothier	15
United Parcel Service, Inc.	16
USX Corporation	17
Mellon Bank, N.A.	18
UNISYS Corporation	19
A T & T Technologies, Inc.	20
AMP Incorporated	21
Pennsylvania Power & Light Co.	22
Supermarkets General Corporation	23
The Boeing Co.	24
John Wanamaker of Philadelphia	25
SCOA Industries, Inc.	26
Giant Eagle, Inc.	27
PPG Industries, Inc.	28
Hershey Foods Corporation	29
U.S. Air, Incorporated	30

SOURCE: Pennsylvania Department of Labor and Industry, Office of Employment Security

LIST OF MAJOR CORPORATIONS THAT MAINTAIN THEIR CORPORATE HEADQUARTERS IN THE COMMONWEALTH

TABLE 11

COMMONWEALTH OF PENNSYLVANIA

AMP Incorporated
Air Products and Chemicals, Inc.
Alco Health Services Corporation
Alco Standard Corporation
Allegheny International, Inc.
Allegheny Ludlum Corporation
Aluminum Company of America
Aristech Chemical
Armstrong World Industries, Inc.
Atlantic Financial Federation
Bayer USA
Bell Atlantic Corporation
Bethlehem Steel Corporation
Carpenter Technology Corporation
CertainTeed Corporation
Cigna Corporation
ComCast Corporation
Consolidated Natural Gas Co.
Consolidated Rail Corporation
CoreStates Financial Corporation
Crown Cork and Seal Company, Inc.
Cyclops Industries, Inc.
Dauphin Deposit Corporation
Duquesne Light Company
Equimark Corporation
First Pennsylvania
H.H. Robertson Company
H.J. Heinz Company
Harsco Corporation
Hershey Foods Corporation
Independence Bancorp Inc.
Joy Manufacturing Company
Koppers Company, Inc.
Lukens Inc.
Mack Trucks, Inc.
Mellon Bank Corp.
Meridian Bancorp, Inc.
Meritor Financial Group
National Intergroup, Inc.
PPG Industries, Inc.
Pennbancorp
Pennsylvania Power & Light Co.
Pennwalt Corporation
Philadelphia Electric Co.
PNC Financial Corporation
Quaker State Corporation
Rite Aid Corporation
Rockwell International Corporation
Rohm and Haas Company
Rorer Group Inc.
Scott Paper Company
SmithKline Beckman Corp.
Sun Company, Inc.
USX Corporation
Union National Corporation
VF Corporation
Weis Markets, Incorporated
Westinghouse Electric Corporation
Westmoreland Coal Co.
Wheeling-Pittsburgh Steel Corporation
York International Corp.

SOURCE: The *Fortune 500* and the *Forbes 500* listings, published April 1988.

JUNE 30, 1988

COMMONWEALTH OF PENNSYLVANIA

Date of Ratification of U.S. Constitution	December 12, 1787
Form of Government	Legislative-Executive-Judicial
Miles of State Highway	41,445
Land Area - in square miles	44,888
State Police Protection:	
Number of Stations	106
Number of State Police	4,051
Higher Education (Universities, Colleges and Community Colleges):	
Number of campuses in state	230
Number of educators	21,135
Number of students	564,208
Recreation:	
Number of State Parks	114
Area of State Parks	276,322 Acres
Area of State Forests	2,071,276 Acres

SOURCE:
Pennsylvania Department of Transportation, Bureau of Strategic Planning
Pennsylvania State Police, Bureau of Research and Development
Pennsylvania Department of Education, Division of Data Services
Pennsylvania Department of Environmental Resources, Bureau of Forestry